

NAVAL POSTGRADUATE SCHOOL

Monterey, California



THESIS

STRATEGIC AND PERFORMANCE PLANS FOR SHORE INSTALLATIONS

by

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June 2000

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DTIC QUALITY INSPECTED 4

20000719 015

REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.

1. AGENCY USE ONLY (Leave blank)

2. REPORT DATE
June 1998

3. REPORT TYPE AND DATES COVERED
Master's Thesis

4. TITLE AND SUBTITLE : STRATEGIC AND PERFORMANCE PLANS FOR
SHORE INSTALLATIONS

5. FUNDING NUMBERS

6. AUTHOR(S)
Schriver, Karan A.

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)
Naval Postgraduate School
Monterey, CA 93943-5000

8. PERFORMING
ORGANIZATION
REPORT NUMBER

9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)
N/A

10. SPONSORING / MONITORING
AGENCY REPORT NUMBER

11. SUPPLEMENTARY NOTES

The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.

12a. DISTRIBUTION / AVAILABILITY STATEMENT

Approved for public release; distribution is unlimited.

12b. DISTRIBUTION CODE

13. ABSTRACT (maximum 200 words)

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This thesis examines the difficulties the Navy has had in trying to establish performance measures for their shore installations. Further, it will review current performance measurement models used in the public sector and recommend a model that best fits the Installation Core Business Model in order to aid installation commanders in meeting GPRA's performance requirements.

14. SUBJECT TERMS Control Systems, Performance Measures, Strategic Planning,
Shore Installations

15. NUMBER OF
PAGES

96

16. PRICE CODE

17. SECURITY
CLASSIFICATION OF REPORT
Unclassified

18. SECURITY CLASSIFICATION
OF THIS PAGE
Unclassified

19. SECURITY
CLASSIFICATION OF
ABSTRACT
Unclassified

20. LIMITATION OF
ABSTRACT
UL

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STRATEGIC AND PERFORMANCE PLANS FOR SHORE INSTALLATIONS

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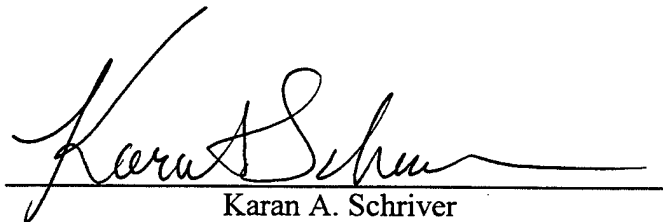
Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

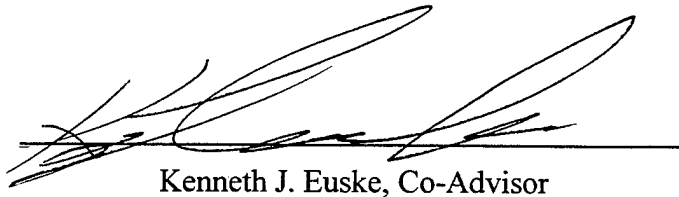
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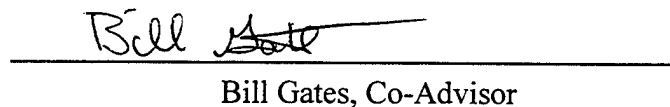
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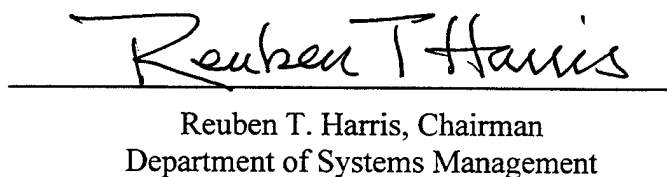
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In recent years, an understanding has emerged that the federal government needs to run more efficiently and improve accountability. As companies are accountable to shareholders, the federal government is accountable to taxpayers. Under the Government Performance and Results act of 1993 (GPRA) every major federal agency must be able to set goals, measure performance, and report on their accomplishments. (GAO-118,1996)

The DoD and the Navy have been working to develop base management and quality standards, to improve the efficiency and improve accountability of base management. The Department of the Navy's Strategic Plan states that Naval bases must provide high-quality services to fleet units worldwide at a level necessary to sustain both personnel morale and combat readiness. (OPNAV, 1995) To meet GPRA requirements, realize potential fiscal savings, and ensure that the requisite levels of service are provided, measurable Navy wide performance standards for key services must be developed. (OPNAV, 1995)

This thesis examines the difficulties the Navy has had in trying to establish performance measures for their shore installations. Further, it will review current performance measurement models used in the public sector and recommend a model that best fits the Installation Core Business Model in order to aid installation commanders in meeting GPRA's performance requirements.

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I. INTRODUCTION

A. PURPOSE

In any era of declining budgets and increased resource accountability, it has been increasingly important to identify shore installation core performance areas and set performance measurement standards. This thesis examines the process of defining performance measures for shore installations. The goal of this thesis is to recommend a performance measure model for shore installations that can be used by regional commanders to improve performance in core areas.

B. BACKGROUND

The U.S. Department of Defense maintains about 450 bases to support national security operations. These bases are operated by the four military services (active and reserve components) and Defense Logistics Agency. Each installation contains one or more of a variety of mission activities, as well as a variety of service activities, much like those found in most communities.

Installation management is a support element (managing a set of activities) within DoD. Installation managers are responsible for ensuring the availability of responsive base services and effective facilities to customer organizations and authorized individuals and families. (Ammons,1996) These facilities and services are provided subject to prevailing standards, which recognize budget constraints.

In recent years, an understanding has emerged that the federal government needs to run more efficiently and improve accountability to taxpayers. Under the Government

Performance and Results Act of 1993 (GPRA) every major federal agency must be able to set goals, measure performance, and report on their accomplishments. (GAO-118, 1996)

The DoD and the Navy have been working to develop base management and quality standards, to improve the efficiency and accountability of base management. The Department of the Navy's Strategic Plan states that Naval bases must provide high-quality services to fleet units worldwide at a level necessary to sustain both personnel morale and combat readiness. (Chief of Naval Operations, 1995) To meet the Government Performance and Results Act's (GPRA) requirements, realize potential fiscal savings, and ensure that the requisite levels of service are provided, measurable Navy wide performance standards for key services must be developed. (Chief of Naval Operations, 1995)

However, lacking measurement data and business experience, the Navy has had difficulty establishing baselines for shore installation performance measurement. In an effort to overcome this, the Navy established a Performance Standards and Measurement System Action Team to review existing Shore Installation Management (SIM) processes and management tools and to establish and implement a Performance Standards Strategy. (Chief of Naval Operations, 1995)

OPNAV's Performance Standards Strategy states that it will take advantage of existing industry standards to speed development of benchmarking standards. The strategy also suggests combining expertise from the private and public sector with Navy Installation and functional experts to expedite the process. (Chief of Naval Operations, 1995) Newly regionalized Echelon II staffs were directed to work with Navy and

public/private sector functional experts to develop standards and measures for installations. (Chief of Naval Operations, 1995)

Installation Managers have been instructed to utilize information tools, such as Installation Transfer and Exchange (INSITE), Installation Management and Accounting Project (IMAP), Navy Accounting System STARs-FL as well as Smart Base initiatives, such as Multi-technology Automated Reader Card (MARC), to aid in processing information on existing functional data. IMAP includes the Installation Core Business Model, which defines the core businesses of shore installations: Airfield Support, Port Support, Other Mission Support, Community Support (QOL), Facility Management, Public Safety and Command Support. (Chief of Naval Operations, 1995)

This thesis examines the difficulties the Navy has had in trying to establish performance measures for their shore installations. Further, it reviews current performance measurement models used in the public sector and recommends a model that best fits the Installation Core Business Model in order to aid installation commanders in meeting the Government Performance and Results Act's (GPRA) performance requirements.

C. RESEARCH QUESTIONS

The primary research questions that this thesis seeks to answer are: "How should the Navy implement performance measures at Navy shore installations?" and "What areas should be measured?" A subsidiary research question is: "Can the Navy effectively implement a performance measurement plan?"

D. METHODOLOGY

Preparing this thesis involved a thorough literature review. Interviews with key management personnel at CINCPACFLT and CINCLANTFLT were used to identify current practices and performance measurement needs. Based on these resources, an analytic model was developed encompassing core shore businesses and performance measurement techniques in appropriate areas.

E. ORGANIZATION

Chapter II contains a discussion on the Government Performance and Results Act, its requirements and implementation. The concept of strategic plans and performance measures is introduced and different performance measures are identified and discussed.

Chapter III looks at the Navy's core business model for shore installations and analyzes current Navy Installation performance measurement plans.

Chapter IV reviews interview data on performance measurement implementation from key shore installation management personnel assigned to various regions under CINCPACFLT and CINCLANTFLT. City Government plans are discussed as performance measurement models for shore installations. This chapter also identifies, discusses and defines a recommended performance measurement model for use by shore managers.

Chapter V contains the conclusions of the study and recommendations. Suggested topics for future study are also provided.

II. BACKGROUND

This chapter provides an overview of performance measures. Further, it discusses performance measures used in government and outlines the requirements of the Government Performance and Results Act (GPRA). This chapter also briefly defines the different types of measures and measurement systems in use today.

A. PERFORMANCE MEASUREMENT IN GOVERNMENT

Assessing service performance is not new. Organizations throughout history have used performance measure to gage how well they are conducting business. Government agencies are no different. Measuring workload and worker efficiency was part of the scientific approach at the turn of the century. Back in 1938, the International City Managers Association (ICMA) issued *Measuring Municipal Activities*, which suggested various types of information that local governments might use to monitor various local services and to assess how well these services are delivered.

Some 50 years ago, at the federal level, the Commission on Organization of the Executive Branch of Government, also known as the Hoover Commissions, worked successfully to streamline a federal government grown too large and too disorganized because of the Great Depression and then World War II. The commission utilized performance-based budgeting, with an emphasis on efficiency measures as expressed by the cost or number of hours per unit of output. (Hatry, 1989)

In more modern times, concern for measuring performance in public programmatic entities arose with the interest in program budgeting in the 1960s and program evaluation in the 1970's. Hatry and colleagues at the Urban Institute began publishing materials that promoted performance measures and provided instruction on how to use them, while others talked about how to incorporate them in larger management processes. (Poister & Strieb, 1999)

A number of forces in the field of public administration have led to a renewed interest in performance measurement in the 1990s. Taxpayer revolts, pressure for privatization of public services, legislative initiatives aimed at controlling runaway spending, and the devolution of many responsibilities to lower levels of government have generated increased demands to hold the government accountable for what they spend and the results they produce. (Poister & Strieb, 1999) Responding to these forces, Vice President Al Gore's 1993 National Performance Review (NPR) called for a new way of thinking about how public agency performance is defined and measured.

The renewed emphasis on performance measurement was further stimulated by resolutions from the Government Accounting Standards Board (GASB), the National Academy of Public Administration (NAPA), the American Society for Public Administration (ASPA) and the National Governors' Association (NGA). These resolutions urged governments to institute systems for goal setting and performance measurement. At the National level, the thrust toward results-orientated public management is embodied by the Government Performance and Results Act (GPRA) of 1993, which requires strategic planning and performance reporting by agencies throughout the federal government.

Measuring strategic performance of program outcomes is a relatively new challenge for federal bureaus, because they are accustomed to measuring inputs. (Whittaker, 1995) When the Government Performance and Results Act (GPRA) was first implemented, many felt that government management was somehow "different," that the same rules that applied to the private sector could not apply to the public, or at least not in the same way. (NPR, 1999) Opponents of the Government Performance and Results Act (GPRA) have suggested that it will not work in government because government agencies do not have a bottom line or profit margin. The Government Performance and Results Act (GPRA) supporters argue that government agencies do have a bottom line, their mission: what they want to achieve. (NPR,1999) Recent efforts have shown that the basic concepts do apply to the public sector; they can also be used to create a successful organization. (Poister & Strieb, 1999) For example, agencies may not have a financial bottom line, but they do have goals and outcomes that can indicate success (e.g., reduction in pollution).

Regardless of viewpoint, there is a growing trend in government toward performance-based management systems. (Poister & Strieb, 1999) Currently, all but three states have performance-based budgeting requirements, most of which have been established recently. (Melkers & Willoughby, 1998) Thirty-one states have legislated performance-based budgeting mandates. Sixteen states have initiated this reform through budget guidelines or instructions. (Melkers & Willoughby, 1998) The May 12, 1992, edition of *Financial World* magazine labeled performance measurement and program evaluation as perhaps the most important trend in state government in the 1990's. In

1995, North Carolina's Office of State Planning described the relationship of performance measures to its state budget and planning process in the following way:

Performance planning is a key component to more efficient and effective government. Performance planning provides agencies the opportunity to evaluate whether programs are doing the right thing (effective) in the right way (efficient). (Melkers & Willoughby, 1998, p.68)

The use of program goal setting and performance measures is also a growing trend in municipal governments. (Poister & Strieb, 1999) Surveys of municipal managers found that between 30-70 percent of U.S. cities used performance-monitoring systems. (Poister & Strieb, 1999) In 1994, as part of the reinventing government initiative, city managers from different cities throughout the United States visited one another to establish performance benchmarks and help define how well they were doing business. For instance, the city manager of Austin, Texas and his staff visited Portland and the city manager of Portland, Oregon and his budget officer visited Coral Springs, Florida, examining the other cities' processes. All cities that participated in the study have since implemented various practices from other cities in the study, where performance was indicative of a best practice. (NPR, 1999) State and local governments have also established a Community of Practice--the Performance Management Consortium of the International City/County Management Association. (NPR, 1999) Through this consortium, they learn from each other and can compare outcomes against those of other local governments. (NPR, 1999)

A growing percentage of U.S. cities have performance measurement systems in place, which have resulted in more efficient and effective government. (Poister & Strieb,

1999) Most notable of the cities with robust performance measurement systems are Portland, Oregon; Charlotte, NC; and Sunnyvale, CA. (NPR, 1999)

Sunnyvale incorporated a system of program performance measurement, into its budget system in 1973. Frank Hosdell, Office of Management and Budget (OMB) Deputy Director for Management testified that,

Sunnyvale's system stands out as the single best example of a comprehensive approach to performance measurement that we have found in the United States. One underlying reason for the success achieved in Sunnyvale is the fact that every program manager uses the system to plan, manage, and assess progress on a day-to-day basis. (GPRA Committee Report, 1993, Sec. IV, p.1)

Each year Sunnyvale's city manager submits a detailed Annual Performance Report to the mayor and city council, indicating how well the performance objectives have been achieved. All those objectives, in turn, are tied into twenty-year strategic plans covering 28 areas of city services, showing long-term goals for the city. (GPRA Committee Report, 1993, Sec. IV, p.1)

Between 1985 and 1990, the city's average cost per unit of service went down 20 percent. In other words, its productivity increased by roughly 4 percent a year. In 1990, when it compared its own costs to those of similar size and type cities, Sunnyvale found that it used 35 percent to 45 percent fewer people to deliver most services. (GPRA Committee Report, 1993, Sec. IV, p.1) Its employees were paid more, but its operating budget was still near the low end of comparable cities, and its per capita taxes were lower than those of any comparable city. In its most recent citizen survey, over 90 percent indicated satisfaction with the quality of city services. (GPRA Committee Report, 1993, Sec. IV, p.1)

The Government Performance and Results Act (GPRA) implementation may be difficult at first and may take awhile, but performance measurement can work in the public sector. City and state governments have proven that performance measurement programs can succeed in government organizations.

B. THE GOVERNMENT PERFORMANCE AND RESULTS ACT OF 1993

The Government Performance and Results Act of 1993 established a strategic planning and performance budgeting framework requiring federal agencies to develop strategic plans containing measurable performance standards. (Blackerby, 1994) Setting results-oriented performance goals linked to strategic plans is the Government Performance and Results Act's (GPRA) central premise. In accordance with the act, Federal agencies such as the Department of Defense must now show results before new appropriations are made; automatic refunding will not occur. "The essential purpose of the Government Performance and Results Act (GPRA) is to improve the effectiveness of the federal government and its many agencies, and improve Americans' confidence in the federal government." (Whittaker, 1995:60)

Government agencies, such as the Navy, that never had to measure performance are working to analyze, identify and document how their budgets are being spent in consonance with their strategic plans. (Chief of Naval Operations, 1995) The Government Performance and Results Act (GPRA) requires the Navy to draft strategic and performance plans for major programs, such as installation management, consult with congress and stakeholders on those plans and report to Congress annually on their

actual performance as compared with stated goals. (GPRA Committee Report, 1993, Sec. IV, p.1)

1. Strategic Plan

The main elements of the Government Performance and Results Act (GPRA) are the formulation of strategic and performance plans. Strategic plans are the starting point for performance measurement efforts. A strategic plan includes a comprehensive mission statement based on the agency's statutory requirements, a set of outcome-related strategic goals, and a description of how the agency intends to achieve these goals. The mission statement brings the organization into focus, explaining why the agency exists, what it does and how it does it. The strategic goals that follow are an outgrowth of the stated mission. The strategic goals explain the purposes of the agency's programs and the results they are intended to achieve. The clearer and more precise these goals, the better the organization is able to maintain a consistent sense of direction, regardless of leadership changes at the top. (GPRA Committee Report, 1993, Sec VII, p.1) This is particularly important in the Navy, where turnover in top-level positions occurs every couple of years.

For strategic plans to be effective for the agency's major functions and operations the organizations must involve their stakeholders, assess their internal and external environments and align their activities, core processes, and resources to support mission-related outcomes and objectives. (GAO-96-118, 1996) Organizational leadership support of strategic plan development and implementation is essential if the plan is to be successfully adopted by the activity and its stakeholders. (GAO-96-118, 1996)

2. Performance Plans

Under the Government Performance and Results Act (GPRA), executive branch agencies are required to develop annual performance plans that use performance measurement to reinforce the connection between the long-term strategic goals outlined in their strategic plans and the day-to-day activities of their managers and staff. (GPRA Committee Report, 1993, Sec. VII, p.2) The annual performance plans should include performance goals of an agency's program activities, a summary of the necessary resources to conduct these activities, the performance indicators that will be used to measure performance, and a discussion of how the performance information will be verified. (GAO-96-118, 1996) The performance plan establishes performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity. (GPRA Committee Report, 1993, Sec. VII, p.2)

3. Annual Report

The Government Performance and Results Act (GPRA) also requires federal agencies to report to Congress annually on their performance. (GAO-96-118, 1996) The annual report is essential to the performance budgeting process, as it allows Congress to evaluate program performance versus goals and to decide whether allocated resources are adequate or if the program should be discontinued. (GPRA Committee Report, 1993, Sec. VII, p.3) Also, the requirement to prepare annual performance reports is beneficial to the agency as it mandates that the agency examines its internal major activity's performance annually. (GAO-96-118, 1996)

The Department of Defense's (DoD) first two attempts at both strategic and performance plans have not been well received by Congress. DoD scored a 29 out of 100 possible points on its performance plan, second to last above the Department of State.

(Congressional Inst., 1999) The Department of Defense's first annual performance report is due in 2000. DoD's failure to formulate both satisfactory performance and strategic plans has placed considerable emphasis on program activities to improve plans and to provide a comprehensive performance report to Congress this year. (Congressional Inst., 1999)

C. PERFORMANCE MEASUREMENT

How do our customers see us? At what must we excel? Can we improve and create value? How do we look to stakeholders/constituents? Getting answers to these questions of how effectively and efficiently (at the lowest cost) an organization is delivering services is the essence of performance measurement. The process is designed to yield information so that decision-makers can tell how effectively a program or service has used its allocated resources (Grifel, 1993) in comparison with other service providers.

1. Establishing Performance Measures

Organizations use performance measurement to determine whether they are fulfilling their vision and meeting their customer-focused strategic goals. According to the National Partnership for Reinventing Government (NPR) study conducted in 1999, performance measures must therefore meet the following criteria:

- Ensure a narrow, strategic focus. The measures and goals an organization sets should be narrowly focused to a critical few. It is neither desirable nor possible to measure everything. In addition, performance measures should be directly linked to strategic and operational planning.
- Measure the right thing. Before deciding on specific measures, an organization should identify and thoroughly understand the processes to be measured. Then, each key process should be mapped, taken apart and analyzed to ensure (1) a thorough understanding of the process; (2) that a measure is central to the success of the process chosen.

- Be a means, not an end. In a best-class organization, employees and managers understand and work toward the desired outcomes that are at the core of their organization's vision. They focus on achieving organizational goals, by using performance measures to gauge goal achievement, but do not focus on the measures per se. (NPR,1999, p. 22)

2. What to Measure?

Regardless of size, sector or specialization, organizations tend to be interested in the same general aspects of performance (NPR, 1999):

- Financial considerations
- Customer satisfaction
- Internal business operations
- Employee satisfaction
- Community/stakeholder satisfaction

Performance measurement typically includes measures of productivity, effectiveness, efficiency, quality and timeliness.

Performance measures/indicators measure the quantity and accuracy of the work produced by a work unit, the efficiency with which it is produced, the level of customer satisfaction achieved, and the financial position of the work unit processing the workload or providing the service. (Louthain, 1995, p. 4)

Performance measures can be divided into four categories; inputs, workloads, outputs and outcomes. (Joyce, 1993, P. 3) Inputs represent the resources consumed by operating a government program. Ultimately, they are used to hire personnel, build facilities, contract for services, and so on. Inputs are easily measured, usually in terms of dollars and personnel. (Joyce, 1993, P. 3) Examples of input performance measures are number of incoming recruits at Recruit Training Command, amount of fuel needed per month, or claims received.

Workload is defined as the amount of work performed, typically measured in terms of quantity. (Joyce, 1993, P. 3) Workload measures are often referred to as activity or process measures, for example, the number of evaluations processed, arrests made, and inspections or housing repairs completed.

Outputs are the result of agency work and activities. Output measures are distinguished from workload measures in that workload is the amount of work performed and output is the result of that work. (Joyce, 1993, P. 3) An example of an output for the California Highway patrol may be safe highways. Unlike inputs, outputs are often difficult to translate into dollars partly because a market for agency activities may not exist outside the government and they are difficult to measure.

Outcomes represent the degree of customer satisfaction and achievement of the broader goals of an agency. Outcome measurement concerns the extent to which the activities and outputs of the agency have their intended effect. (Joyce, 1993, p.3) That is, outcomes focus not only on the work performed but, more importantly, on the results of that work. Outcome measurement may cover activities that are largely under the control of program managers, or they may extend to an even broader set of measures representing results that the agency may influence, but does not achieve or control on its own. (Joyce, 1993, p.3) An example of an outcome measurement at a doctor's office may be reduction of customer wait time by 15 percent.

Examples of performance measures include employee and customer satisfaction rates, capital expenditure rates, return on investment, safety ratings, graduation rates, traffic flow rates, and service availability rates. Basically, a performance measurement can be a measure of any facet of organization's mission. Schools judge performance on

test scores and graduation rates, while airlines use on-time arrival/departure and seat occupancy rates.

3. Establishing a Baseline

Once an organization has decided on its performance measures, the next step is to determine a baseline for each of the measures selected. Once data are collected for the first time on a particular measurement, the organization then has baseline data. (NPR, 1999) Determining appropriate goals for each measure is the next step. A common practice is to set goals that will force the organization to stretch to exceed its past performance, but goals must be realistic and attainable or morale may be impacted. For example, a goal of 100 percent customer satisfaction is admirable. However, if the standard is eighty percent, a goal of 100 percent may not be realistically attainable. It would then be better to try for an 85 percent customer satisfaction rating, giving employees something to strive for that is most likely attainable.

4. Gathering Performance Data

Data are collected for each performance measure to determine if and how well goals are being met. It is very easy for this phase to get out of hand with the current advances in information technology. Therefore, organizations should remember that data are collected and analyzed for the purpose of getting answers to strategic questions not just for the sake of data collection. (NPR, 1999, Sec. III) Important principals to remember when gathering data are to keep it focused, flexible, and meaningful. (NPR, 1999, Sec. III)

Keeping data focused helps ensure that the right data and only the right data are collected, repetitions are avoided, and performance questions are answered. Flexibility in

data gathering methods is essential. Using a variety of source data and media usually leads to better performance measures at less costs because available resources are utilized vice implementing new ones. Data should not be collected just because you can. Numerous reports of meaningless data will hurt the overall collection process. Employees bogged down in too many meaningless measures will loose sight of what the organization is trying to achieve by the measures. A few well-aligned measures taken seriously are better than a number of complex measures or too many measures. (NPR, 1999, Sec. III)

D. PERFORMANCE MEASUREMENT APPROACHES

To measure something means to quantify it using a defined set of rules. (Ammons, 1995) Some things are more difficult to measure because they cannot be observed directly. But the basic process of quantifying something via defined rules remains the same, only the particular means for measurement will vary depending on the structure of the organization. The Government Performance and Results Act (GPRA) sets a template for government agencies to follow in order to successfully implement strategic performance goals and measures. (NPR, 1999) The tenants of the Government Performance and Results Act (GPRA) are not new, but are very similar to two approaches to performance measurement already utilized by private and public sector organizations; Benchmarking and Balanced Scorecard. (NPR, 1999)

1. Benchmarking

Benchmarking refers to comparing several activities on the same measure to see who is best, finding out why that one activity is best, and then using the best practices as

a means of achieving better performance in your own program or service. (Ammons, 1995) Knowing the factors that are important in effectively performing a particular service or function is the foundation of benchmarking. A performance measure is thus a baseline, standard, norm, or criterion against which users can assess their own performance in a program or service. Each performance indicator or “benchmark,” is one criterion underlying successful program or service performance. Performance measurement lets you quantify whatever variables are selected as underlying the performance of a particular service. (Ammons, 1995)

Developing performance measures begins with a clear statement of the program's mission. Performance measures or benchmarks flow out of objectives and mission statements. (Kraft,1997) A mission is the reason why the provider exists, while goals are intended results that support the mission. Objectives are what must be accomplished to achieve a goal. Consensus on what a program does; who its customers are; and what these customers expect from the program or service is essential. (Kraft,1997)

Data are gathered to quantify each benchmark. Performance is then compared with others' on each benchmark to identify who is performing best on particular benchmarks and who is falling behind. (Ammons, 1996) The next steps are to analyze what the best practitioners are doing that the organization is not, and to import best practices. (Kraft, 1997) Analysis and reengineering are important because trying to import or replicate a best practice as-is from one organization to another generally will not work. Not only can entire organizations use benchmarking to compare themselves against other, similar organizations, but departments or services within an organization can also study the methods of similar units in other places. (Ammons, 1996)

2. Balanced Scorecard

For many years, leaders at all levels in the private and public sectors have searched for the right tools and techniques to help them create high-performing organizations. The Balanced Scorecard, used by Advance Micro Devices and Analog Devices and documented in 1992 by Kaplan of the Harvard Business School and Norton of Renaissance Solutions, provided needed focus to the field. The Balanced Scorecard approach to performance management gained acceptance in the private sector as a way to build customer and employee data into measuring and ensuring better performance outcomes. (NPR, 1999) Balanced Scorecard transformed the way private sector companies could achieve and analyze high levels of performance and was critical in revitalizing such companies as Federal Express, Corning, and Sears. (NPR, 1999)

The Balanced Scorecard (BSC) is a tool to translate an organization's vision and strategy to effectively communicate strategic intent and motivate and track performance against established goals. (Kaplan & Norton, 1996) A strategy is a shared understanding about how a goal is to be reached. Balancing an organization's dimensions of performance allows management to translate the strategy into a clear set of objectives. (Kaplan & Norton, 1996) These objectives are then further translated into a system of performance measurements that effectively communicates a powerful, forward-looking, strategic focus to the entire organization. (NPR, 1999) Measures are customarily used in four broad areas -- financial performance, customers, internal business processes, and learning and growth. (Kaplan & Norton, 1996)

The underlying premise behind the Balanced Scorecard is the need for a balanced presentation of both financial and operational measures. Financial measures provide the

results of actions already taken, while operational measures complement the financial and drive future financial performance. (Kaplan & Norton, 1996) In combination, these measures provide a “balanced” view of overall business performance and bring together, in a single report, many of the seemingly disparate elements of an organization's agenda. (Kaplan & Norton, 1996)

Although designed for the private sector, Kaplan and Norton’s Balanced Scorecard could be useful in government planning. The first documented case of a U.S. city adopting a balanced measure approach was Charlotte, North Carolina. (Kaplan, 1998) Charlotte operationalized their vision to be a "model of excellence that puts the community's citizens first, where skilled, motivated employees are known for providing quality and value in all areas of public service" into the elements of their corporate scorecard. (Kaplan, 1998) Charlotte believes that implementing a balanced scorecard approach has helped to integrate common goals across departments and build consensus and teamwork throughout the organization. (Kaplan, 1998)

E. SUMMARY

The Government Performance and Results Act (GPRA) mandates implementation of a structured system of strategic goal setting, performance planning, performance measurement and reporting throughout government. Congress has made it clear that it intends to forge a more direct link between expenditures of public funds and achievement of beneficial outcomes. As a result, DoD is working on implementing strategic plans and performance plans that incorporate performance measurement and define performance metrics for its military bases. Performance measurement systems, such as benchmarking and Balanced Scorecard, have been successful in helping to at reduce

service cost and improve service quality in municipal government. The question is, can this approach work for Navy installations? This examines the process of defining performance measures for shore installations. The goal of this thesis is to recommend the best performance measures model for shore installations that can be used by regional commanders to improve performance in core areas.

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III. NAVY IMPLEMENTATION

This chapter provides an overview of Navy Installations and their core businesses. Further, it examines the steps the Navy has taken to implement performance measures at shore installation in accordance with the Government Performance and Results Act (GPRA) requirements. Finally, this chapter discusses whether these efforts have been successful and the Navy's future plans for meeting the Government Performance and Results Act (GPRA) requirements.

A. NAVY INSTALLATIONS

Since 1989, the Department of Defense (DoD) has placed increasing emphasis on operating the Department's base activities (versus mission forces) on a business basis. One of these major activities is providing installation services and facilities. In the United States, this "business" consumes roughly \$40 billion annually, and manages assets that exceed \$1 trillion at about 450 installations. (OSD, 1996) Our U.S. installations provide facilities and services to about 1 million active military, around 2 million family members, nearly 800,000 civilian employees and 1 million military retirees. (OSD, 1996) Yet, installation management has been very decentralized with few, if any, coherent operating procedures and principals to guide the over 400 installation and base commanders who receive little, if any, installation management training before assuming their duties. (OSD, 1996)

On average, each installation commander is in charge of an activity which services 2,500 active military, 5,000 family members, 2,000 civilian employees, and

2,500 retirees, has assets in excess of \$2.5 billion, and expends \$100 million annually. (OSD, 1996) In their roles as base commanders, our officers touch the lives of every person on their installations and every person associated with the military in the vicinity of their installation.

The Navy operates and maintains 110 bases worldwide. All installations have a similar array of supporting businesses, much like those found in most cities. Military bases grew up as America did. Because of the rural nature of the areas where land was found to support military operations, the military had to provide most of its own support. This support included eating establishments, permanent and temporary lodging facilities, stores, public works support, schools, recreation facilities, supply operations, hospitals, and so forth. These were especially important when the local community could not offer these necessities in quantities to support the increased population. Dozens of such businesses operate on nearly every military post today. Most of these activities have come to be considered part of the military compensation system. (OSD, 1996)

While many aspects of any military installation are quite similar, significant differences among installations remain. These differences chiefly derive from the installation's specific mission(s). For instance, the tempo of activities vary greatly among a research and development base, a depot, a fleet support activity, an air station or air base, a test range, or a large training base, whether this be basic, technical, combat, or flight training. Each also has unique demands on its support structure. As a result, installations provide similar support services, however have different organizational structures. There is no description of the many arrangements or relationships as practiced by the various installations or major commands. (OSD, 1996)

B. BACKGROUND

Since the fall of the Berlin Wall in 1989, DoD budgets have declined significantly in real value. Despite four rounds of Base Realignment and Closure (BRAC) activities, infrastructure reductions have not kept pace with declines in other parts of the budget. Consequently, most installations cannot afford to maintain facilities and services to established standards. Significant shortfalls in funding and an increasing maintenance backlog (estimated over \$12 billion just in Military Family Housing) are giving military commanders difficult choices and could create significant problems, which may manifest themselves in declining enlistment or retention rates. (OSD, 1996)

Funding priorities and other considerations have retarded the capacity of military installations to maintain (or even establish) information age infrastructure, both in terms of high speed, digital transmission systems across the base and software applications with standard data to support the horizontal business activities of an installation. The Navy must modernize its infrastructure, while simultaneously reducing the cost of that same infrastructure. (OSD, 1996)

Business and management are important concepts for Navy installations. To survive, installations, like businesses, must be responsive to their customers, cost effective and well managed. To achieve savings and realize efficiency, the Navy's Shore Installation Management (SIM) Division of OPNAV has focused on reengineering its business practices. SIM has focused considerable effort on initiatives such as, outsourcing, privatization, activity-based management, regionalization and performance measurement systems to realize savings and fund modernization. (Chief of Naval Operations, 1995)

Outsourcing is buying products or services from external vendors and contractors which otherwise would be produced by internal staff. All Navy commercial activities are eligible for outsourcing. Currently, some Navy shore installations are conducting one or more commercial activity studies of their organization. Examples of shore activities that have been outsourced are public works, supply, food services, tug services and grounds maintenance. Privatization takes outsourcing one step further as it gets the Navy out of these businesses altogether. Privatization efforts are ongoing in military housing and utilities. (OSD, 1996)

Activity Based Management (ABM) is a management tool that focuses on defining organizational processes and cost centers. ABM streamlines processes by identifying and eliminating non-value-added activities. ABM can be a useful tool for establishing data baselines for performance measures. ABM implementation is ongoing throughout the Navy. (Hanft, 2000)

Regionalization efforts have consolidated the Navy's installations into 13 Navy Regions. Each Region is responsible for creating economies of scale for the bases within its jurisdiction. Core installation functions have been combined and relocated, creating larger business areas. Regionalization has been cost effective in some areas, however major claimant exemptions, implementation variations and geographical disbursement has limited anticipated savings. (Navy Region Mid-Atlantic, 1999)

The "Base Support Study," conducted in 1996 by SIM, observes that installation managers must have better information to make management decisions if installations are to run more efficiently. Regional Managers likewise suffer from this lack of information. OPNAV has tried to improve the information situation by implementing Installation

Transfer and Exchange (INSITE), Installation Managerial Accounting Project (IMAP) and ABM. Strategic performance measurement, mandated by the Government Performance and Results Act (GPRA), could provide the necessary information on installation activities, enabling installation managers to strategically address installation issues and manage more effectively. (Chief of Naval Operations, 1995)

The DoD and the Navy have been working to develop base management and quality standards, in an effort to improve the efficiency and effectiveness of base management. (NPR, 1999) The Department of the Navy's Strategic Plan states that naval bases must provide high-quality services to fleet units worldwide at a level necessary to sustain both personnel morale and combat readiness. To meet the Government Performance and Results Act (GPRA) requirements, realize potential fiscal savings and ensure that the requisite levels of service are provided, measurable Navy-wide performance standards for key services need to be developed. (Chief of Naval Operations, 1995)

C. INSTALLATION MANAGERIAL ACCOUNTING PROJECT (IMAP)

Installation Managerial Accounting Project (IMAP) is an Assistant Secretary Navy Financial Management (FM) and Comptroller and Deputy CNO Logistics sponsored project that seeks to improve managerial accounting at the installation level. The Core Business Model was developed to provide more accurate and consistent cost accounting at installations within the official Navy accounting system (STARS-FL). The IMAP team uses the Core Business Model to define business areas, functions and

subfunctions that provide the basis for a Navy wide consistent approach to installation cost accounting.

IMAP defines core business area, function and subfunction as follows:

- Core Business Area – An aggregation of related functions into a major area that produces the principal products and services directly supporting the command's mission. The IMAP core business areas are airfield support, seaport support, other mission support, community support, facility management, public safety, and command support. (see Figure 1)
- Function – A major process grouping made up of subfunction components. A function produces a related set of products. An example of a function under the core business community support would be Family Service Centers (FSC) and Morale Welfare and Recreation (MWR).
- Subfunction – A grouping of activities into a process that produces or performs services. A subfunction is related to only one business area and function and is the lowest level considered for discrete cost accounting. When costs are incurred across multiple subfunctions and it is not practical to separately account for those costs, the costs should be charged to the single subfunction that is accountable for the largest portion of the cost. An example of a subfunction under the function FSC would be counseling services. (Chief of Naval Operations, 1996)

All Navy regions have adopted IMAP's Core Business Model. The Core Business Model identifies installation core businesses and provides installation managers with a foundation for setting strategic goals. Knowing which functions and subfunctions are related to which core business will aid in developing performance measures that are tied to installation strategic goals.

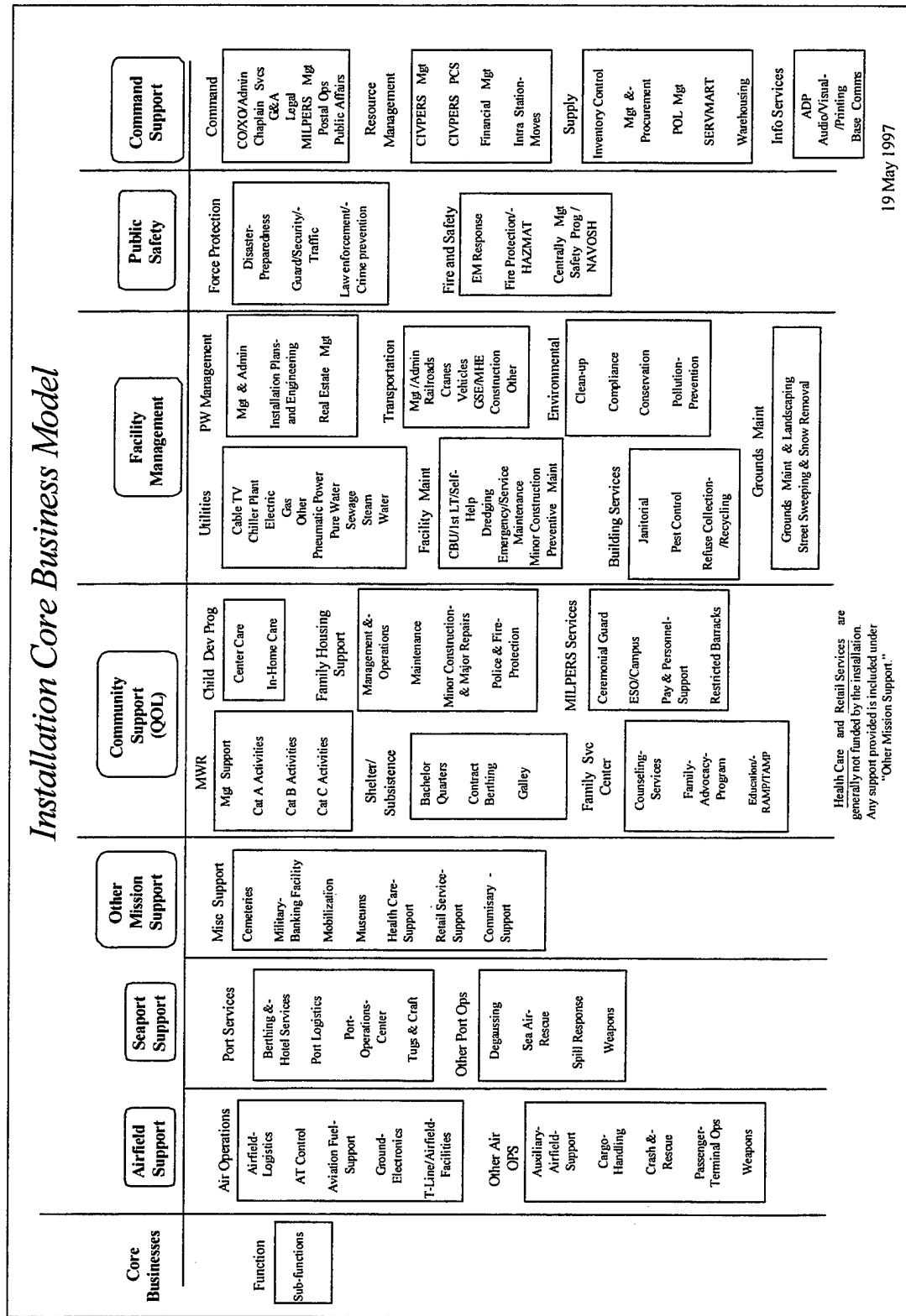


Figure 1. Installation Core Business Model

D. PERFORMANCE STANDARDS STRATEGY

In 1994, the Navy established a Performance Standards and Measurement System Action Team (PSMSPAT) to review existing SIM processes and management tools and to establish and implement a performance standards strategy. In July 1995, the team released a draft Installation Performance Standards and Measures Strategy.

In developing this Strategy the team made numerous assumptions, assessed their current operating situation, and conducted a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. The assumptions taken into account by the team include the following:

- Defense budgets will continue to decline in real value.
- World events will require the maintenance of a strong and capable Navy.
- There is and will continue to be a pressing need to reduce the cost of operating Navy installations, yet maintain high standards of quality in terms of facilities and services to support Fleet readiness and her population.
- There is a tremendous need to determine the real cost of doing business in each functional area.
- Information is vital in order to distinguish the cost of “must pay” bills, infrastructure and technology investment costs, actual maintenance and repair costs, administrative costs and quality of life costs.
- All installations are different; what makes sense at one installation may not make sense at another.
- Installations have taken various horizontal cuts in both dollars and end strength over the last five years, and all non-controversial funding reduction solutions have already been implemented.
- The Department of the Navy supports the need to improve the quality of life on Navy installations and recognizes its relationship and importance to combat readiness.

The team's assessment of their operating situation in 1995 resulted in following findings:

- There is not an adequate level of funding for Navy installations.
- There is virtually no visibility on the cost of various functions, processes or practices on installations since accounting functions focus on budgeting and expenditures of appropriations and not on what things really cost to operate or produce.
- Installations do business dissimilar to one another. Business decisions are based on different criteria.
- There is no single set of performance criteria to guide management decisions toward a defined goal.
- An array of computerized support exists without data standardization or integration.
- Numerous installations have a deficit in automated data processing and transmission capabilities.

The PSMSPAT SWOT analysis on the internal and external Navy installation environment was used to determine what measures could be successfully implemented with current constraints. The following were determined to be their strengths, weaknesses, opportunities and threats to successful implementation.

Strengths

- All claimants agree on the need for improvements, economies and modernizing of installation businesses to provide better service and facilities within budget constraints.
- CNO leadership is committed to the PSMSPAT effort.
- Off-the-shelf automation and software is available for facilitating performance standards and measures.

Weaknesses

- Installation activities tend to get a low funding priority.
- Very little funding has been allocated for PSMSPAT development and funding has not been identified for PSMS/INSITE initiatives and implementation.
- Paradigm shifts must be made in the way people think, operate, and react to installation management requirements.
- Outdated ADP infrastructure and shrinking budgets may hinder implementation.
- Staff shortages and current management demands limit the availability of functional experts to support change activities.

Opportunities

- Installation Commanding Officers and managers are the best source for information and ideas for improving the business of managing installations.

Threats

- Failure to articulate needs and to cooperate among all Navy activities can lead to funding cuts by Congress or the DoD Comptroller staff.
- Any articulation of savings can lead and has lead to premature cuts in funding.
- Many functional stovepipes may perceive PSMSPAT issues and initiatives as threatening and could stymie innovative ideas for improving installation management. (Chief of Naval Operations, 1995)

The PSMSPAT's resulting Performance Standards Strategy (1995) for developing performance standards and measures recommended exploiting existing industry standards to speed development and benchmarking standards. The strategy also suggested combining expertise from the private and public sector with Navy Installation and functional experts to expedite the implementation process. The development effort was

to include defining performance measures that measure installation progress in improving service delivery.

The strategy dictated that Echelon II staffs work with Navy and public/private sector functional experts to develop standards and measures for installations. Installation Managers were instructed to utilize information tools such as Installation Transfer and Exchange (INSITE), Installation Management and Accounting Project (IMAP) and the Navy Accounting System STARs-FL to process information on existing functional data. INSITE is an information technology tool that incorporates information on Navy shore installations into one database that can be accessed by shore installation managers. IMAP includes the Installation Core Business Model, which defines the core businesses of shore installations: Airfield Support, Port Support, Other Mission Support, Community Support (QOL), Facility Management, Public Safety and Command Support. (Chief of Naval Operations, 1996)

A finalized Installation Performance Standards and Measures Strategy was not found while researching this thesis. However, Echelon II staffs are still influenced by many of the issues discussed above. Developing performance standards and measures for Navy shore installations is still the responsibility of Echelon II staffs. Without any firm guidance from OPNAV's Shore Installation Management Division, Echelon II staffs have adopted their own approach to developing visions, strategic plans, and performance standards. (Chief of Naval Operations, 1995)

E. SHORE INSTALLATION REQUIRED OPERATIONAL CAPABILITIES PERFORMANCE MANUAL (SIROC)

Although all Echelon II staffs were working to develop performance metrics for shore installations, Commander Atlantic Fleet (CINCLANTFLT) N46 Shore Installation Metrics Program, initiated in late FY94, was the first to be implemented. The CINCLANTFLT metric manual was first issued in 1994. Subsequent experience in data collection and analysis led to a first revision of the metrics manual in May 1995; a second revision was issued October 1995 and Change 1 to Revision 2 was issued 30 November 1995. (Commander Atlantic Fleet, 1997)

In early 1996, CINCLANTFLT's metrics program focused on expanding and strengthening the subset of metrics that measure mission required operational capabilities. (Commander Atlantic Fleet, 1997) In May 1996, a revised manual, the CINCLANTFLT Shore Installation Required Operational Capabilities (SIROC) Metrics Manual was released. More recently, Changes 1 and 2 to SIROC, issued 8 November 1996 and 21 March 1997, respectively, were disseminated to reflect new data submission requirements, including deletions and modifications, and to adhere to IMAP's core business model. (Commander Atlantic Fleet, 1997)

1. Historic Metric Development Process

Starting with the initial SIROC metrics manual in January 1996, the Metrics Program Manager formed teams to review and revise metrics and standards, and to develop new metrics and standards. (Commander Atlantic Fleet, 1997) These Metrics Action Groups (MAGs) consisted of a Metrics Team person, CINCLANTFLT Subject Matter Coordinator or other expert, representatives from Norfolk area installations, and

one or more support contractor personnel. (Commander Atlantic Fleet, 1997) MAGs were convened for each sub-function.

Results of MAG decisions and recommendations were compiled into a draft SIROC Metrics Manual and distributed to all installations for review. (Commander Atlantic Fleet, 1997) Teams from CINCLANTFLT's Metrics Team then visited each installation. Briefings were conducted and the comments and recommendations received were incorporated. The SIROC Metrics Manual was issued 17 May 1996. (Commander Atlantic Fleet, 1997)

SIROC2 included a restructured Metrics Program to align functions and sub-functions with the major areas and functions, respectively, of the Installation Managerial Accounting Project (IMAP). As discussed previously, IMAP is an OPNAV N46 sponsored project that seeks to define a core business model for naval installations. The purpose of SIROC2 was to provide background information and specific instructions for activities participating in the Shore Installation Measurement Program. (Commander Atlantic Fleet, 1997) The principal objectives of the Performance Measurement Program was to:

- Promote benchmarking and continuous improvement throughout CINCLANTFLT's shore infrastructure, its Regional Commanders, and shore installations.
- Assess shore installation readiness and operational effectiveness.
- Provide documentable justification for resource allocations.
- Identify deficiencies factually and consistently, and prioritize funding for resources, personnel, training, facility or equipment.
- Support near and long-term requirements using performance measurement as a management assessment tool in conjunction with other assessment tools,

such as CNO's Installation Management Accounting Project and N46's Shore Resource Building Blocks. (Commander Atlantic Fleet, 1997)

SIROC2 combined CINCLANTFLT N46 level performance measurements with installation performance measurements proposed by Regional Commanders, base activities, CINCLANTFLT, TYCOMs, and support staff members. Regional Commanders were tasked with managing the shore performance measurements program; oversight was provided by CINCLANTFLT N46. (Commander Atlantic Fleet, 1997)

2. Shore Installation Readiness

The Shore Readiness Working Group (SRWG) was established in January 1996 with a principal charter to represent shore infrastructure to the Shore Executive Board of Flag Officers and the Fleet Readiness Working Group (FRWG). (Commander Atlantic Fleet, 1997) The SRWG redefined shore installation readiness to allow interfacing with the Installation Managerial Accounting Project (IMAP) core business areas: airfield support, seaport support, other mission support, community support, facility management, public safety, and command support. (Chief of Naval Operations, 1996)

The Performance Indicator program was designed to provide the statistical information needed to support shore readiness and the SRWG in performing its charter. The program included a comprehensive system of performance measurements in which all the critical functional elements of installation management and operations were represented. (Commander Atlantic Fleet, 1997)

3. CINCLANTFLT N46 Performance Indicator Standards

Assessing the readiness and effectiveness of participating CINCLANTFLT installations relied on standards to which reported performance indicator data could be

compared. CINCLANTFLT N46 performance standards were first applied in the last quarter of FY95, after proposed standards were submitted to installation representatives for review and comment during the August 1995 CINCLANTFLT Commanders Conference. Where appropriate, industry-based standards were used. (Commander Atlantic Fleet, 1997)

A standards origin statement was included for each performance indicator with standards in the manual. (Commander Atlantic Fleet, 1997) See Figure 2. The standards were given four ranges of values, represented by a color ranging from green to red. This system is similar to the Status of Resources and Training System (SORTS) which has been used for assessing fleet readiness for over 25 years. The colors are defined as follows:

- green - M1- fully supports all functional requirements of the mission
- blue - M2- adequately supports all functional requirements, at some loss of efficiency
- yellow - M3- marginally supports functional requirements
- red - M4- non-supportive of functional requirements in some significant aspects

3. Airport Throughput (Passengers) (cost): This measurement reports the military air terminal's activity level in terms of military and civilian passengers. It may be used to gauge the activity level at the air terminal and to quantify the physical loading of the facilities.

Definitions:

number of passengers processed - the total number of military and civilian passengers processed through the military air terminal during the period. This number will include all flight initiations and terminations for transient and permanent duty station change passengers. Stopovers will be counted if customs processing is involved or if deemed appropriate by the activity.

Reporting Criteria: Monthly, not cumulative.

Formula/Data Reported: Number of passengers processed (#)

Standards: None

Standards Origin: NA

Figure 2. SIROC Performance Measurement Example

To maximize the usefulness of performance measurements and to comply with the Government Performance and Results Act (GPRA), multiple layers of indicators representing levels of management oversight were established. (Commander Atlantic Fleet, 1997)

5. Analysis of SIROC

CINCLANTFLT claimants used SIROC until 1999. In 1999 CINCLANTFLT reevaluated SIROC's ability to accurately assess installation performance as related to broad strategic goals. Assessing SIROC revealed that although it was a good start for establishing installation performance measurement it failed to equate metrics to strategic goals. (Salerino, 1999) SIROC depended too highly on performance measures used in the past. Very few of the over 142 measures contained in SIROC differed substantially from measures required for other Navy reports, such as Aviation safety quarterly reports. Further, metrics focused primarily on input, output and workload measures, not outcomes. (Salerino, 1999)

To complicate matters further, strategic goals had still not been established. Therefore, CINCLANTFLT required performance measurements but could not analyze the data provided to see if they were achieving their strategic objectives. Therefore, SIROC was abandoned until completing installation strategic plans. Regional Commanders were instructed to stop reporting SIROC data and to expedite work on Strategic Business Plan development. (Salerino, 1999)

F. REGIONALIZED BUSINESS PLANS

At the June 1999 Commander's Conference, Commander Navy Region Mid-Atlantic briefed performance metrics for shore regions. The briefing proposed a vision, as well as a strategic plan for shore infrastructure. The briefing defines the Navy's shore vision as follows:

- Focus: Supporting fleet readiness/recapitalization.
- Achieve optimal mix of service providers.
- Provide shore support from regional complexes.
- Continue to provide government unique services.
- Maximize the use of services from the surrounding community.
- Provide common services from competing providers.
- Train personnel to run regions like businesses.
- Replace risk avoidance with risk management. (Navy Region Mid-Atlantic Brief, 1999)

Commander Navy Region Mid-Atlantic's (1999) proposed strategic plan simply states that shore regions should apply state-of-the-market business practices and reduce infrastructure cost. Infrastructure cost should be trimmed by reducing workforce: work force related expenses and physical plant costs.

The plan recommends that installations use Activity Based Costing and Management systems to identify performance baselines and cost centers. The plan also suggests that all Navy regions use the IMAP core business model to standardize reporting and accounting. The briefing failed to outline a linkage between this plan and actual installation performance measures, and to date no performance measures have been developed. As of March 2000, Echelon II commands and all Navy Regions continue to

work on developing Strategic Business Plans and no performance measurement systems have been incorporated. (Hanft, 2000)

In October 1999, OPNAV N46 released the Shore Installation Vision 2010 and strategic plan and goals. Vision 2010 states;

We are focused on supporting fleet readiness in its provision of joint forces. We operate in an environment that optimizes the mix of services that Government, industry, and the community provide. We provide the majority of shore support from regional complexes and other required supporting sites. Installations continue to provide inherently Governmental and other statutory requirements. They ensure access to services such as recreational facilities, food, housing, clergy, childcare, education, retail, and health care that are readily available within the surrounding community. Common services are executed by competing providers: the navy concentration host, regional contractors, and the local community. Competition drives cost down and quality up. Installations are overseen by military and civilians specifically trained for regional city management; their focus is on long-range planning and development to meet emergent mission and budget requirements. The old culture of risk avoidance has been replaced with a policy of proactive risk management. (Navy Region Mid-Atlantic, 1999)

The OPNAV Shore Infrastructure Strategic Plan (1999) identifies two major strategic issues with respect to installation management: apply state of the art business practices and reduce infrastructure cost. The plan further defines key accomplishments for each of these issues and sets numerous goal and objectives for each accomplishment. (See Appendix A) The plan's goals are broad in nature, and objectives are geared more toward policy decisions and less toward actual day-to-day operation management of shore installation. Goals and objectives are not directly linked to core business areas or any distinct performance measures.

G. SUMMARY

While the Navy's attempts to define a measurement strategy should be commended, it still remains unclear exactly how Navy shore installation's should

implement performance measures. The lack of an overall Navy strategy coupled with intensified mission requirements and reengineering initiatives have hampered development attempts. Echelon II staff endeavors, such as SIROC, identified metrics but failed to link them to strategic goals. Meanwhile, Navy Region Mid-Atlantic's plan develops a broad-based strategy but failed to identify performance measures. Although activity-based costing has been distinguished as a tool to identify cost centers and performance baselines, each organization must set its own strategic direction. Echelon II staffs have yet to satisfy the Government Performance and Results Act (GPRA) requirements and keep from taking additional budget cuts in the future.

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IV. ANALYSIS OF INTERVIEWS

This Chapter discusses the interview process and analyzes interview responses in three separate areas: knowledge and understanding of SIM concepts, current strategic planning efforts, and development of SIM strategic plans and goals for the future. Further, it presents a performance measurement model based on interview responses and archival research conducted on performance measurement.

A. DISCUSSION OF THE INTERVIEW PROCESS

1. Purpose of Interviews

Semi-structured interviews were conducted with Regional SIM personnel (Code N46), Naval Postgraduate School SIM Students (877) and RADM Froman, OPNAV N46. These interviews were designed to gather data and assess current SIM strategic goals, performance measures and their implementation at individual regions. In addition, the interviews were used to identify specific SIM Strategic Focus areas, strategic goals and basic performance measures. The interviews were also used to ascertain the interviewee's knowledge of basic SIM terms and programs, strategic planning, performance measures, and the Government Performance and Results Act (GPRA).

2. Individuals Interviewed

N46 Staff members were interviewed from Navy Regions Mid-Atlantic, Northeast, Southeast, Southwest, Hawaii and Europe. A total of eleven N46 staff personnel were interviewed. Staff members included eight military officers, each with over ten years military experience, ranking from Lieutenant Commander to Rear Admiral

and three Government Service personnel, GS-12 rating, each with over fifteen years experience in public service. RADM Froman, OPNAV N46 since October 1999, was also interviewed. Six of the seven SIM students at the Naval Postgraduate School were interviewed during their fifth quarter of a six quarter program.

3. Interview Methodology

Prior to the interviews, introductory information was provided to interviewees (See Appendix B). This package included background information on the thesis, the purpose of the interview and a list of interview questions. The interviews were conducted both in person and via telephone. The interviews were semi-structured, meaning that although questions were prepared in advance the interviewees were allowed to expand on issues raised. The interviews lasted between 25 and 50 minutes, the average length was 35 minutes.

Content analysis was performed on the interview data. During content analysis, interview responses were grouped based on similarity. Groups were then prioritized. Priority rankings were given based on the number of respondents in each group. Groups with the highest percentage were considered significant. For instance, all 16 interviewees listed cost visibility as a strategic goal/objective, therefore it received a percentage of one hundred and a high priority ranking.

B. DISCUSSION OF INTERVIEW RESPONSES

1. Overview

Interview questions were broken into three major areas; knowledge and understanding of the topic, assessing the current situation, and recommending and

identifying specific Shore Installation Management Strategic Focus areas, strategic goals/objectives and basic performance measures. Overall interviewees seemed eager to discuss shore installation issues and the strategic planning process.

2. Knowledge and Understanding of the Topic

The following questions were included in the interview to document the level of understanding and knowledge of those interviewed with respect to basic principals and tools of SIM, strategic planning and performance measurement. Without a general understanding of the organization, management tools and government guidelines, setting a strategic direction and selecting accurate performance measurements is not likely to be a successful endeavor.

Question: Could you explain the requirements of the Government Performance and Results Act (GPRA)?

The Government Performance and Results Act (GPRA) of 1993 established a strategic planning and performance budgeting framework requiring federal agencies to develop strategic plans containing measurable performance standards. (Blackerby, 1994) Setting results-oriented performance goals linked to strategic plans is the Government Performance and Results Act's (GPRA) central premise. In accordance with the Act, Federal agencies such as the Department of Defense must now show results before new appropriations are made; automatic refunding will not occur. "The essential purpose of the Government Performance and Results Act (GPRA) is to improve the effectiveness of the federal government and its many agencies, and improve Americans' confidence in the federal government." (Whittaker, 1995, p.60)

When asked to explain the Government Performance and Results Act (GPRA), only five of the ten regional staff personnel interviewed had heard of the Act; of those, only two could list the Government Performance and Results Act's (GPRA) requirements. Further, only one of the regional staff members could link the Act with current Navy mandates to draft and implement strategic and performance plans. However, all six of the SIM students and the one former SIM student were able to define the Government Performance and Results Act (GPRA), explain its requirements and discuss its impact on SIM.

Question: What are SIM's responsibilities with respect to GPRA?

Nine out of the ten regional staff members interviewed were unable to answer this question. Only a former SIM student was able to actually discuss the Government Performance and Results Act (GPRA) requirements and its impact on current Navy SIM. All SIM students were able to articulate that the Government Performance and Results Act (GPRA) requires the Navy to draft strategic and performance plans for major programs, such as installation management, consult with congress and stakeholders on those plans and report to Congress annually on their actual performance as compared with stated goals. However, none of the students knew what OPNAV N46 or the individual Navy regions were doing currently to implement the Government Performance and Results Act (GPRA).

Question: What is a performance measure?

If organizations use performance measurement to determine whether they are fulfilling their vision and meeting their customer-focused strategic goals, than their performance measures must measure the right thing. (NPR, 1999) Determining how

effectively and efficiently an organization is delivering services is the essence of performance measurement. Before deciding on specific measures, an organization should identify and thoroughly understand the processes to be measured. Then, each key process should be mapped, taken apart and analyzed to ensure (1) a thorough understanding of the process; and (2) that the measure is central to the success of the process chosen. (NPR, 1999)

Performance measures can be divided into four categories; inputs, workloads, outputs and outcomes. Inputs represent the resources consumed in operating a government program. Workload is defined as the work performed, typically measured in terms of quantity. Outputs are the result of agency work and activities. Output measures are distinguished from workload measures in that workload is the amount of work performed and output is the result of that work. Outcomes include customer satisfaction and achieving broader agency goals. Outcome measurement concerns the extent to which the agency's activities and outputs have their intended effect. (Joyce, 1993, P. 3)

Two types of answers were given to this question. Eleven out of sixteen interviewees used efficiency measures, such as input, output and workload as examples of performance measures. Specific examples included: money expended, training hours, number of customers served, number of employees and percent of maintenance completed. The other five interviewees, including both students and staff personnel, used outcome measures as examples of performance measures. The outcome measures included customer satisfaction, training effectiveness rating, and employee satisfaction ratings.

Nine of interviewees stated that they had only a general knowledge of performance measurement, and had never developed performance measures for an organization. Three of the interviewees stated that they had worked with performance measures extensively but that most of their experience was in efficiency measures, not effectiveness. All respondents could articulate what a performance measurement is. However, only four had received any formalized training on performance measurement development.

Question: Are you familiar with the Installation Management and Accounting Project (IMAP)?

The Installation Management Accounting Project (IMAP) is an Assistant Secretary of the Navy Financial Management (FM) and Comptroller and Deputy CNO Logistics sponsored project that seeks to improve managerial accounting at the installation level. IMAP includes the Installation Core Business Model, which defines the core businesses of shore installations: Airfield Support, Port Support, Other Mission Support, Community Support (QOL), Facility Management, Public Safety and Command Support. IMAP also breaks down shore activities into functions and sub-functions under each core business.

All ten regional staff personnel interviewed could list the core business models and explain the relationships between the core businesses, functions and sub-functions. Only one of the six SIM students could explain IMAP. Of the other five students, four stated that they had never heard of IMAP and one stated that he had heard of it but could not elaborate further.

Question: What are the core businesses for Shore Installations?

A Core Business Area, as defined by IMAP, is an aggregation of related functions into a major area that produces the principal products and services directly supporting the command's mission. All Navy regions have adopted IMAP's core business model, illustrated in Chapter III, Figure 1. The core business model identifies installation core businesses and provides installation managers with a foundation for setting strategic goals. Knowing which functions and sub-functions are related to which core business aids in developing performance measures that are tied to installation strategic goals.

All the regional staff personnel interviewed could accurately list the core businesses for shore installations as defined by IMAP and accepted by OPNAV N46. However, only one SIM student was actually able to list all seven of the core business areas. The other SIM students simply discussed the different types of activities inherent to Navy facilities, such as public works, housing and security.

Question: Are you familiar with Installation Transfer and Exchange (INSITE)?

The OPNAV Performance Standards Strategy (1995) dictated that Echelon II staffs work with Navy and public/private sector functional experts to develop installation standards and measures. Installation Managers were instructed to utilize information tools, such as Installation Transfer and Exchange (INSITE), Installation Management and Accounting Project (IMAP) and the Navy Accounting System STARs-FL to aid in processing information on existing functional data and to set performance measures. INSITE is an information technology tool that incorporates information on Navy shore installations into one database that can be accessed by shore installation managers. STARs-FL is the current Navy accounting system.

All sixteen interviewees stated that they had never heard of INSITE or used INSITE.

Question: What education and training have you received on strategic planning, control systems or performance metrics?

All the SIM students had received education through the Naval Postgraduate School on strategic planning, control systems and performance measures. The students stated that they had received thorough educational instruction on control systems and strategic planning, but only a basic instruction on performance measures. The regional N46 staff members had a varied education level on these topic areas due to diversity in experience and education. Eight of the regional staff members stated that they would require more education and training to adequately develop or implement strategic plans and performance measures. Three of the staff members stated that they were unfamiliar with control systems. Only two staff members had received any Navy training on strategic planning and developing performance measures.

3. Assessment of Current Situation

The following questions were included in the interview to document the interviewee's understanding and the strategic planning activity in the current SIM organization. The ability to develop performance measures is directly linked to strategic plans and goals under the Government Performance and Results Act (GPRA), therefore, in order for Navy regions to meet requirements they must be cognizant of their strategic direction as set by OPNAV N46.

Question: Are you familiar with the Navy's Shore Installation Management Strategic Plan? If so, what are its main objectives?

In October 1999, OPNAV N46 released the Shore Installation Vision 2010 and strategic plan and goals. Vision 2010 states;

We are focused on supporting fleet readiness in its provision of joint forces. We operate in an environment that optimizes the mix of services that Government, industry, and the community provides. We provide the majority of shore support from regional complexes and other required supporting sites. Installations continue to provide inherently Governmental and other statutory requirements. They ensure access to services such as recreational facilities, food, housing, clergy, childcare, education, retail, and health care that are readily available within the surrounding community. Common services are executed by competing providers: the navy concentration host, regional contractors, and the local community. Competition drives cost down and quality up. Installations are overseen by military and civilians specifically trained for regional city management; their focus is on long-range planning and development to meet emergent mission and budget requirements. The old culture of risk avoidance has been replaced with a policy of proactive risk management. (Navy Region Mid-Atlantic, 1999)

None of the six SIM students interviewed had ever seen the Navy's Shore Installation Strategic Plan (1999) and therefore were unaware of its main objectives. (See Appendix A) Only two of the ten N46 regional staffs members interviewed had copies of the plan, although three others had been present when the plan was briefed at various conferences and could articulate its basic tenants.

The interviewees overall opinion of the plan was that it was too broad and that it did not adequately set a strategic direction for shore installations. All ten of the N46 staff members interviewed stated that the plan was not promulgated effectively nor disseminated correctly. Three of the interviewees also pointed out that the strategic plan was never marketed throughout N46 organizations. They stated that there was never any attempt to gain consensus or support for the plan. There was no one promoting the plan. The plan was only disseminated to a few and than forgotten; there was no opportunity or effort to get "buy in."

Question: What are SIM's strategic goals?

The OPNAV Shore Infrastructure Strategic Plan (1999) identifies two major strategic issues with respect to installation management; apply state of the art business practices and reduce infrastructure costs. The plan further defines key accomplishments for each of these issues and sets goals and objectives for each accomplishment. (See Appendix A) The Navy has focused considerable effort on initiatives such as outsourcing, privatization, activity-based management, regionalization and claimant consolidation. In an effort to realize savings and fund Navy modernization, Navy shore installations have been targeted specifically. (Chief of Naval Operations, 1995)

Reduce infrastructure costs and apply best business practices were listed by all those interviewed as the strategic goals of SIM.

Question: What is your command currently doing to implement strategic and performance plans?

SIM students were not asked this question. All eleven regional N46 staff personnel stated that their commands were developing strategic plans. All CINCLANTFLT staffs were working on drafts of "Strategic Business Plans," which are not required to be linked to OPNAV strategic goals for shore installations. Although almost all personnel thought they were headed in the right direction, eight of the interviewees pointed out that they were rushed to come up with strategic plans to meet deadlines set by Echelon II commands. RADM Froman, OPNAV N46, stated her staff was revising the current strategic plan and that a working group with regional business managers was scheduled for April 2000.

Question: What role has OPNAV N46 played in setting strategic direction and establishing performance measures for shore installations?

All but one interviewee indicated that OPNAV N46 was responsible for setting the strategic direction for SIM throughout the Navy. All those interviewed stated that OPNAV N46 had been ineffective in communicating its plan, goals and objectives to regional staffs. Further, two of the interviewees stated that up to this point OPNAV N46 was simply a conduit for broad Defense goals to reduce infrastructure. All those interviewed commented that OPNAV N46 needed to be more proactive in setting policy for SIM and less reactionary to pressures from higher authority. Three interviewees stated that OPNAV N46 might be more proactive now that RADM Froman had taken charge.

Question: How important a priority are performance measures at your command?

All interviewees stated that there has been pressure to develop performance measures, but they really were not a top priority. Three interviewees were still sorting out regionalization issues, which was their number one priority. Two others interviewees stated that concurrent ABM initiatives were their command's primary focus. All regional staffs were undergoing concurrent outsourcing and privatization studies, as well as ABM implementations. All interviewees stated that strategic planning and developing performance measures was just one more thing they had to get done.

4. Identification of Specific Shore Installation Management Strategic Focus Areas, Strategic Goals/Objectives and Basic Performance Measures

The following interview questions were included to gather information and recommendations for defining SIM's strategic direction and identify strategic goals/objectives and performance measures. Interviewee responses were used to formulate a model based on the Balanced Scorecard approach.

Question: What should SIM's strategic direction be?

All interviewees stated that a SIM strategic direction needs to be set and marketed throughout the Navy. Four interviewees stated that Echelon II and regional commanders should be included in the process as the primary customers for shore installations. Although interviewee responses varied, the interview data suggest a consensus for four main strategic SIM focus areas:

1. Focus on Customer
2. Reengineer Business Practices
3. Maintain/Improve Current Infrastructure
4. Reduce Infrastructure Costs

All interviewees stated that shore management as a support organization should primarily focus on the customer. They defined the customer as the operational and support units located at their installations, service members, family members, retirees and the community. Interviewees defined "focused on the customer" as meeting customer demands and expectations, providing better service and improving quality of life.

All interviewees agreed that SIM needed to reengineer its business practices to improve its current shore management processes and increase effectiveness and

efficiency. Interviewee examples included strategic sourcing, privatization, activity based management, and increased technical automation.

All interviewees expressed concern over the current status of shore facilities. Eight interviewees suggested that resources needed to be dedicated to inspections, repairs and preventative maintenance for existing shore facilities. Nine interviewees pointed out that routine repairs and inspections were often moved to the unfunded list or to the next fiscal year at their command.

All interviewees tied reducing infrastructure cost to reducing infrastructure. Fourteen of those interviewed suggested the need for an across the board analysis of current infrastructure facilities and their rates of utilization. They stated that underutilized, aged and condemned buildings are costly. All those interviewed felt that real cost savings could be achieved by reducing unneeded infrastructure and reorganizing base functions so that underutilized facilities are fully utilized and aged structures are closed or torn down.

Question: What should SIM's strategic goals be?

Interviewee responses covered a number of issues. However, the data suggest that at least two thirds of those interviewed thought that the most prevalent goal should be cost visibility. All the regional staff members interviewed stated that cost visibility continues to be the number one problem for Navy Regions. Three interviewees commented that current budget constraints severely hinder SIM from achieving strategic goals without appropriate program cost visibility. Seven interviewees pointed out that the current accounting system is structured by fiduciary responsibility, not program activity, so actual cost of shore installation activities is unknown.

One interviewee gave this example; shore installations provide billeting and messing services for numerous claimants, Chief of Naval Education and Training (CNET), Bureau of Medicine (BUMED) and Commander in Chief Pacific Fleet (CINCPACFLT), to name a few. However, current cost data only illustrate the cost of operating billeting/messing, it does not show how much of that cost is attributable to BUMED, CNET or CINCPACFLT requirements. These cost data are essential to accurately portray real shore infrastructure operating costs.

Other goals mentioned by more than half of those interviewed include: improve customer service/perception; increase IT compatibility; reduce unneeded infrastructure and assess facility utilization; decrease awaiting maintenance backlog; generate career development for shore installation managers; assess privatization, partnerships and strategic sourcing opportunities; streamline business processes; and increase excess capacity usage.

Nine interviewees stated that SIM needed to improve customer (i.e., fleet, members of the Navy, dependents and retirees) service and improve the overall perception of shore infrastructure throughout the Navy. Those interviewees suggested closely tying shore resources to the overall Navy mission. Three interviewees stated that the Navy did not always consider shore assets as an essential part of the war-fighting mission; therefore, they were frequently targeted for cuts.

IT Compatibility was a common theme throughout the interviews, as 14 interviewees mentioned IT compatibility difficulties. Funding priorities and other considerations have retarded the capacity of military installations to maintain (or even establish) Information Age infrastructure, both in terms of high speed, digital

transmission systems across the base and software applications with standard data to support the installations horizontal business activities. (OSD, 1996) Regionalization highlighted differences in IT systems across differing installations. Efforts are underway in all regions to reduce legacy systems, incorporate IT standards and implement Enterprise Resource Planning (ERP). ERP uses state of the art software development to allow incompatible systems to talk to one another. However, resource limitations have hampered IT efforts.

All the interviewees stated that unneeded infrastructure exists throughout the Navy. Seven interviewees commented that absent another round of Base Realignment and Closures (BRAC), resources should be earmarked to destroy condemned buildings and consolidate underutilized buildings. Eleven interviewees stated that base utilization surveys should be conducted to assess building usage across regions.

Awaiting maintenance backlog is a growing problem for many installations. (OSD, 1996) Despite four rounds of Base Realignment and Closure (BRAC) activities, infrastructure reductions have not kept pace with declines in other parts of the budget. (OSD, 1996) Consequently, most installations cannot afford to maintain facilities and services to established standards. (OSD, 1996) Shortfalls in funding and an increasing maintenance backlog (estimated over \$12 billion just in Military Family Housing) are creating difficult choices for military commanders and could create significant problems, possibly manifesting themselves in declining enlistment or retention rates. (OSD, 1996) Four interviewees had maintenance backlog as their number one goal.

Of those interviewed, fifteen stated that a robust training program is necessary for shore managers. SIM is not a career path in the United States Navy. Currently, shore installations are managed by war-fighters, who have no specialized training in SIM.

Interviewees also supported continuing several of the current SIM goals: evaluate privatization, partnerships and strategic sourcing opportunities, and streamlining business processes. To achieve savings and realize efficiency, OPNAV N46 has focused on reengineering its business practices. SIM has focused efforts on initiatives such as strategic sourcing, privatization and partnerships to capture savings and fund modernization. Strategic sourcing is buying products or services from more efficient service provider at competitive prices. External vendors, contractors and internal staff all have an opportunity to bid for the position of service provider. All Navy commercial activities are eligible for strategic sourcing. Currently, Navy shore installations are conducting one or more commercial activity studies within their organization. Examples of shore activities that have been strategically sourced are public works, supply, food services, tug services and grounds maintenance. Privatization takes strategic sourcing one step further as it gets the Navy out of these businesses altogether. Privatization efforts are ongoing in military housing and utilities. Partnerships have been instituted between installations and cities throughout the Navy. Examples of partnerships are housing, gyms and daycare centers. Ongoing pilot programs are underway for fire service.

Six interviewees pointed out that bases have excess capacity. Too much land or too many facilities for today's military. One interviewee gave several examples of past

innovations with respect to excess capacity: grazing leases, housing and property leases and partnerships with cities.

Question: What SIM areas need to be measured?

All interviewees indicated that performance measures should be linked to key functional areas. Specific measures included: customer satisfaction rates for installation services, employee satisfaction rate, 20 percent reduction of awaiting maintenance, targets for utilization studies, excess capacity surveys, ABM implementations, reengineering efforts and ERP funding.

C. INTERVIEW SUMMARY

The interview data distinguished the following *Shore Installation Strategic Focus Areas*: focus on customer, reengineer business practices, maintain/improve current infrastructure and reduce infrastructure cost. SIM strategic goals/objectives were identified as: achieve cost visibility, improve customer service/perception, increase IT compatibility, reduce unneeded infrastructure, assess facility utilization, decrease awaiting maintenance backlog, generate career development for shore installation managers, assess privatization, partnerships and strategic sourcing opportunities, streamline business processes and increase excess capacity usage. These focus areas and objectives were used in developing a SIM Balanced Scorecard.

D. SIM BALANCED SCORECARD MODEL

As discussed in Chapter II, the Balanced Scorecard (BSC) translates an organization's vision and strategy to effectively communicate strategic intent and motivate and track performance against established goals. (Kaplan & Norton, 1996)

Balancing an organization's dimensions of performance allows management to translate the strategy into a clear set of objectives. (Kaplan & Norton, 1996) These objectives are then further translated into a system of performance measurements that effectively communicates a powerful, forward-looking, strategic focus to the entire organization. (NPR, 1999) Measures are customarily used in four broad areas -- financial performance, customers, internal business processes, and learning and growth. (Kaplan & Norton, 1996)

Using the BSC approach and data collected during interviews with Regional SIM personnel (Code N46), Naval Postgraduate School SIM Students (877) and OPNAV N46, a SIM model was developed. Objectives were incorporate into a SIM Balanced Scorecard. The strategic objectives were grouped according to the BSC's four perspectives. For example, cost visibility, assessing strategic sourcing opportunities, and assessing privatization opportunities were linked to the scorecard's financial accountability perspective, while improve service quality was linked to the customer perspective. Based on interviewee responses the SIM model's primary perspective was determined to be the customer, like the Charlotte case discussed in Chapter II. A corporate scorecard as well as individual focus area scorecards allows the organization to recognize cross-functional objectives. Figure 3 illustrates the recommended SIM Corporate Scorecard.

Individual scorecards were developed using each of the strategic focus areas, with the exception of the customer focus area. (See Figures 4-6) Setting the customer as the primary perspective throughout the corporate and individual scorecards accomplished the strategic intent of emphasizing the customer. These individual scorecards specifically

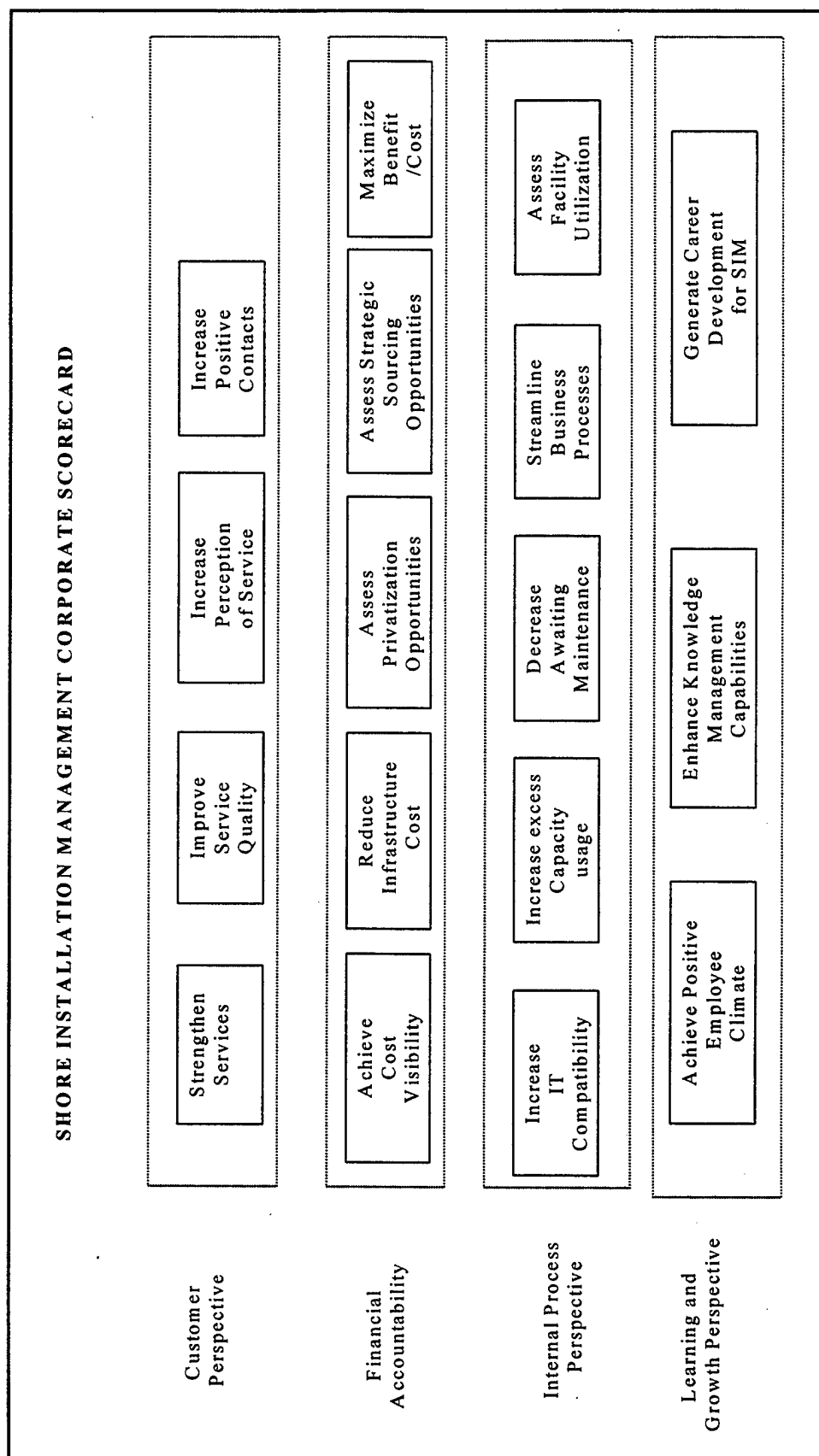


Figure 3. Shore Installation Management Corporate Scorecard

link strategic objectives to an individual focus area. For instance, the reengineer business practices scorecard includes the increase information technology compatibility objective in its internal process perspective. Performance measures were identified for each objective based on interviewee recommendations and archival research discussed in Chapter II. Outcome based measures were utilized to determine customer and employee satisfaction. However, a mix of input, output, workload and outcome measures was identified for financial and internal process objectives.

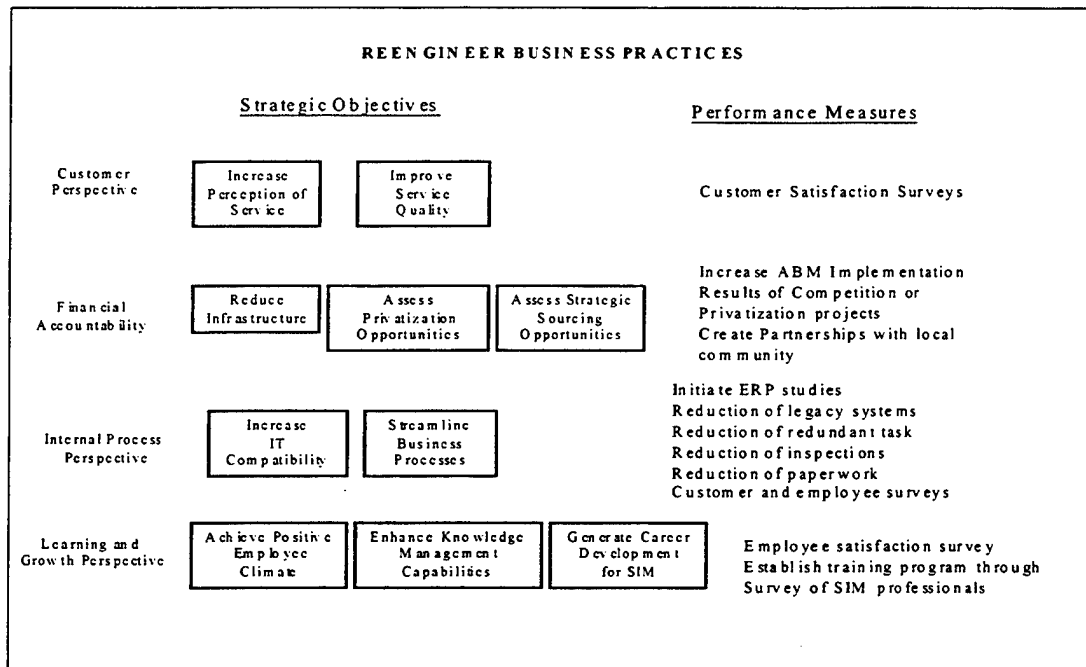


Figure 4. Reengineer Business Practices Scorecard

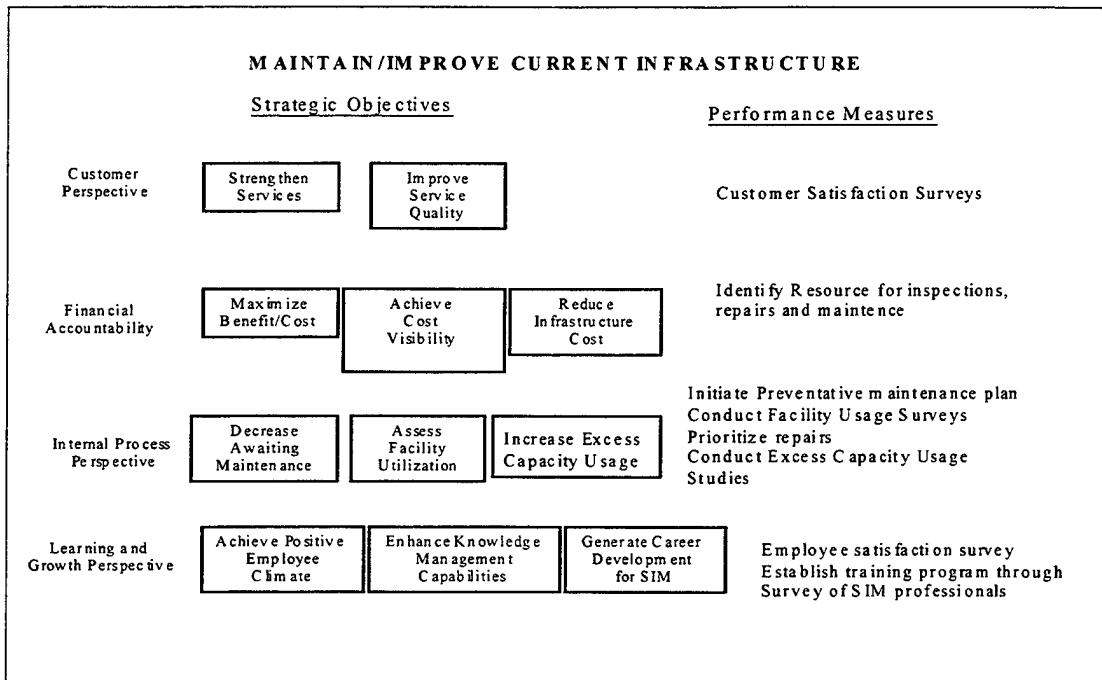


Figure 5. Maintain/Improve Current Infrastructure Scorecard

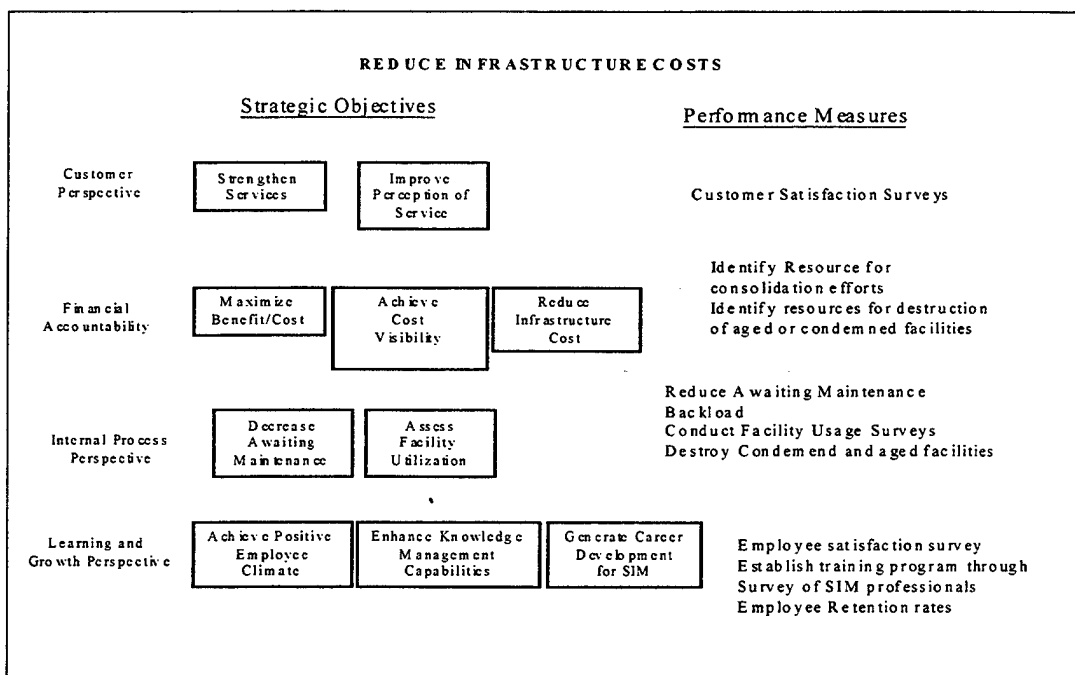


Figure 6. Reduce Infrastructure Costs Scorecard

The SIM model provides a framework from which to work. It relates SIM's strategic focus areas to strategic objectives identified in the interview data. Strategic objectives are then linked to recommended performance measures.

E. SUMMARY

This chapter discussed the interview process and analyzed the interview responses of select personnel in three separate areas: knowledge and understanding of SIM concepts, current strategic planning efforts and development of SIM strategic plans and goals for the future. Further, this chapter identified Interviewees Strategic Focus Areas and objectives for SIM and incorporated them into a Balanced Scorecard Model for SIM. Conclusions and recommendations based on the analysis conducted in this chapter may be found in Chapter V.

V. CONCLUSIONS AND RECOMMENDATIONS

The Navy has been working to develop Navy-wide base management and quality standards to improve the efficiency and effectiveness of base management. The Government Performance and Results Act (GPRA) of 1993 established a strategic planning and performance budgeting framework requiring federal agencies to develop strategic plans containing measurable performance standards. (Blackerby, 1994) In accordance with the act, Federal agencies such as the Department of Defense must now show results. The Government Performance and Results Act (GPRA) requires the Navy to draft strategic and performance plans for major programs, such as installation management, consult with Congress and stakeholders on those plans and report to Congress annually on their actual performance as compared with stated goals. (GPRA Committee Report, 1993)

This thesis examines the Navy's attempts to develop and implement performance measures for shore installations. The goal of this thesis is to recommend a performance measure model for shore installations that could be used by regional commanders to improve performance in core areas.

A. NAVY IMPLEMENTATION OF THE GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)

1. Conclusions

There is a distinct lack of awareness regarding the Government Performance and Results Act (GPRA) and its impact on the Navy. As discussed in Chapter IV, only half

of those interviewed were familiar with the Government Performance and Results Act (GPRA) and of those only two could explain the Government Performance and Results Act's (GPRA) requirements. The interviewees' familiar with the Government Performance and Results Act's (GPRA) were all SIM students at the Naval Postgraduate School or former SIM students. The SIM personnel interviewed are being asked to meet the Government Performance and Results Act's (GPRA) goals and guidelines, but have little knowledge on the subject.

As discussed in Chapter III, attempts by regions to develop and implement performance plans have been constrained because there is no SIM strategic plan with which to link performance measures. Former programs, such as SIROC, contained too many measures. In addition, those measures were not linked to any strategic goals and thus failed to show any program results. Basically, regional staffs have been in a Catch 22 situation: directed to establish performance standards, but not given any foundation or guidance on which to build or focus. Currently, regional staffs are working to develop strategic business plans. Hopefully, these business plans will contain performance measures that are linked to strategic goals.

Based on interview data, the SIM leadership has given limited focus to the Government Performance and Results Act's (GPRA) strategic and performance planning. During their interviews, regional staff personnel could not identify a point person or champion connected to strategic and performance planning. Interview data also suggested that regional staff personnel perceived OPNAV N46 as ineffective in developing and communicating an overarching SIM strategy. Specifically, interviewees stated that information had not been effectively promulgated throughout the community.

Considering that only one regional staff member possessed a copy of the October 1999 SIM strategic plan, this perception appears to be supported. OPNAV N46 has drafted a performance standards strategy and a strategic plan, but interviewees maintain that there has been insufficient follow through, implementation plans and communication on the issue throughout the community. During our interview, RADM Froman, OPNAV N46 since October 1999, stated that she was working with her staff to improve communication throughout the community.

As illustrated by interviewee comments, regional staffs face increasing emergent demands through initiatives such as regionalization, activity based costing and strategic sourcing. Most regional staffs are still reorganizing after regionalization and some are not yet fully manned. According to interviewees, strategic planning and performance measures development has taken a backseat to more pressing issues. All interviewees stated that the Government Performance and Results Act (GPRA) has not been a priority.

In conclusion, establishing and implementing the Government Performance and Results Act's (GPRA) strategic and performance plans for shore installations has been unsuccessful due to several reasons: limited knowledge about the Government Performance and Results Act (GPRA) and its requirements, lack of focused leadership or a "Champion" and increased program demands on shore staffs.

2. Recommendations

Based on the above conclusions, to meet the Government Performance and Results Act (GPRA) requirements and successfully implement strategic and performance plans for shore installations, I recommend OPNAV N46:

- Set the strategic direction for SIM.

- Take the lead on establishing strategic focus areas, objectives and measures for Navy Regions.
- Convene a working group comprised of officers from all Navy regions to identify and establish SIM strategic goals.

Involving officers from across the regions will aid implementation and build consensus.

RADM Froman indicated during our interview that she has taken the initiative on strategic planning for SIM and has scheduled several focus group meetings with key personnel in the coming months.

B. PERFORMANCE MEASURES MODEL FOR SIM

1. Conclusions

Through archival research and analyzing interview data, I have concluded that developing comprehensive performance measures for shore installations is not feasible at this time. Although there are several strategic plan working drafts there is no overall Navy strategy for shore installations. Even though OPNAV N46 released a strategic plan in October 1999, the plan's elements were too broad and implementation has not been forthcoming. Lacking an established strategy concerning SIM has made it extremely difficult, if not impossible to establish strategic goals/objectives and subsequent performance plans and measures as required by the Government Performance and Results Act's (GPRA).

Nevertheless, analyzing the interview data identified several *Shore Installation Strategic Focus Areas* including: focus on customer, reengineer business practices, maintain/improve current infrastructure and reduce infrastructure cost. Interview data also identified the SIM Strategic goals/objectives as: achieve cost visibility, improve

customer service/perception, increase IT compatibility, reduce unneeded infrastructure, assess facility utilization, decrease awaiting maintenance backlog, generate career development for SIM managers, assess privatization, partnerships and strategic sourcing opportunities, streamline business processes and increase excess capacity usage.

As discussed in Chapter II, the Balanced Scorecard has proven effective for public management organizations similar in structure to Navy shore installations. Therefore, it was decided a balanced approach would facilitate developing a performance measures model for SIM. The model, discussed in Chapter IV, provides a framework which links SIM's strategic focus areas to strategic objectives identified in the interview data. The model also links strategic objectives to recommended performance measures.

2. Recommendations

Based on interview data and analytical research it is recommended the Navy:

- Adopt a balanced approach in implementing the Government Performance and Results Act's (GPRA).
- Use the SIM Balanced Scorecard in Chapter IV as a framework to develop a more comprehensive SIM Scorecard.

C. SHORE INSTALLATION MANAGEMENT EDUCATION AND TRAINING

1. Conclusions

According to the interview data, there is insufficient formal education and training on shore management, strategic planning and performance measurement systems. SIM managers currently have no formal training program and or career pipeline. As indicated by the interview data, most SIM managers learn needed SIM skills through on-the-job

training. SIM students demonstrated extensive knowledge of SIM issues and management theories; however, their interview responses implied a lack of instruction on some basic SIM concepts.

Although most of the regional staff personnel interviewed could answer basic questions on strategic planning and performance measures, there was limited knowledge about these topics. Further, personnel interviewed indicated that their peers' subject knowledge was either on par or below theirs.

2. Recommendations

Based on the conclusions above, to improve education and training for SIM managers, I recommend the following:

- Institute a formalized training and career pipeline for shore managers.
- Enhance the current SIM Naval Postgraduate School curriculum to include additional instruction on SIM core business areas and SIM management tools.
- Provide training on strategic planning and performance measures development for all personnel involved in this process to explain of these principals and promote programs success.

The recently established SIM Curriculum (877) at the Naval Postgraduate School is an effective medium to accomplish SIM education and training requirements; either through the full masters degree programs or intensified required short-courses for all regional N46 staff personnel. The 877 curriculum would benefit from increased emphasis on SIM core areas and management tools, such as IMAP and STARS-FL.

D. RECOMMENDATIONS FOR FURTHER STUDY

Performance measurement is a growing trend in the public sector and therefore provides many opportunities for future research. Concentrating on establishing and

implementing performance measures for shore installations, the following topics are suggested:

- Case Study on OPNAV N46 Strategic Plan development and implementation
- Analyzing a Navy Region's Strategic Business Plan
- Developing an implementation plan for a SIM Balanced Scorecard
- Identifying Shore Installation Performance Measures

All of the topics listed above would provide useful information to shore managers in meeting the Government Performance and Results Act's (GPRA) requirements, achieving a performance based management system and identifying activity results.

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APPENDIX A. THE STRATEGIC PLAN

This appendix contains the OPNAV N46 October 1999 Strategic Plan for Shore Management.

A. Strategic Issue 1: Apply state-of-the-market business practices

Key Accomplishment 1: Create an organizational structure and process to accelerate positive changes.

Goal 1: Optimize management structure to enable efficient and flexible operations.

Objective 1: Continue to reduce the number of claimants who provide installation management policy and funding to an optimal number by eliminating management layers between claimants and installation managers, identifying opportunities for realignment in “stovepiped” organizations.

Objective 2: Eliminate unnecessary inspections, reports, and other forms of oversight.

Objective 3: Determine and implement the most efficient organization based on a regional installation management concept.

Objective 4: Establish installation management career progression with associated multiyear curricula for professional development of military and civilian personnel. This curricula should include an internship with select city management.

Objective 5: Identify organization functions and training opportunities that the Reserve component can accomplish through peacetime contributory support.

Goal 2: Develop and implement a process that motivates and accelerates positive change.

Objective 1: Eliminate policies, laws, and regulations that inhibit or restrict change and inflate costs.

Objective 2: Designate regional commanders as centers for innovation to encourage the rapid generation of innovative ideas and approaches.

Objective 3: Promote the use of existing waiver programs to minimize overlapping policies and regulations and to eliminate outdated policies and regulations.

Objective 4: Provide incentives to Commanders by rewarding efficiencies; consider options such as a 25% return on true savings generated.

Objective 5: Drive decisions to the lowest level by motivating and enabling commanders to make more of the decisions affecting their regional complexes and installations with a vision towards long-range goals as opposed to short-term objectives.

Objective 6: Provide incentives to tenants to streamline processes and operate in a cost-effective manner.

Objective 7: Review inter/intra-service support agreements (ISSAs) to ensure adequate cost visibility and accountability.

Key Accomplishment 2:

Manage installations with the business perspectives of efficiency, competition, and customer satisfaction.

Goal 1: Improve the quality of business decisions.

- Objective 1: Develop a base accounting system in order to understand the real costs of doing business at the appropriate levels.
- Objective 2: Restrict oversight and centralized control to regional managers.
- Objective 3: Provide common function management tools that promote near- and long-term plans to assess the contribution of services to mission effectiveness.
- Objective 4: Develop performance-based ISSAs that have adequate feedback mechanisms.
- Objective 5: At the broadest level possible, obtain services from the most cost-effective sources and execute services in the most cost-effective manner to sustain readiness.

Goal 2: Develop and use measures of effectiveness (MOEs) and measures of performance (MOPs) focused on performance and results, not inputs.

- Objective 1: Develop benchmarks of world-class MOE tools, other metrics, and required operational capabilities and capacities (ROCCs).
- Objective 2: Adopt state-of-the-market standards for commercially available services.
- Objective 3: Obtain a cost accounting system that identifies the full cost of

providing each service, utilizing commercial-off-the-shelf (COTS) software that is designed to aid the management process and encourage fiduciary responsibility.

Goal 3: Apply information management technology to reduce other overhead and fixed costs.

- Objective 1: Apply approved practices from initiatives such as Smart Base to improve shore installation management and reduce overhead across the Navy.
- Objective 2: Exploit the use of COTS/GOTS technologies in order to improve the affordability of operations.
- Objective 3: Evaluate and implement information management systems for reporting and tracking metrics for all levels.

B. Strategic Issue #2: Reduce infrastructure cost
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Key Accomplishment 1: Reduce workforce cost

Goal 1: Regionalize or consolidate base operating support (BOS) functions in navy concentration areas (NCAs) and stand-alone and overseas installations to eliminate redundant or excess billets from activities that perform similar functions. Create regional/local pools from which tenant activities can obtain common services less expensively than if they performed those functions in-house.

- Objective 1: Conduct and implement regionalization analyses in NCAs, CONUS stand-alone installations, and overseas installations. Include all Services in the discussions. Make the analysis increasingly more

sophisticated and complete. Conduct regional analyses at least once every 5 years.

Objective 2: Identify opportunities to consolidate higher level functions across regions using the N4 Optimizing Shore Support Infrastructure (OSSI) Model that focuses on cost rather than functions.

Goal 2: In conjunction with regionalization/consolidation analyses, continue to reduce operating costs by streamlining operations, determining the right source (including Government and non-Government sources), and eliminating functions no longer required. Ask: "What must the Government own and what can it rent to supply effective shore support?". Choose and act accordingly.

Objective 1: Review installation and tenant functions to identify opportunities to consolidate, realign, or eliminate functions available within the community or no longer required.

Objective 2: Perform functional analyses to ascertain which are inherently Governmental versus non-Governmental functions, then perform "make vs. buy" analyses to choose and buy non-Governmental functions from the best source. Use competitive sourcing, functionality assessments, privatization, and dual use of facilities.

Objective 3: Determine the optimal process for executing Governmental functions by focusing on readiness and most efficient organizations.

Goal 3: Regionalize the base infrastructure for the best service interoperability at the lowest cost.

Objective 1: Site weapons systems and specialized or unique support infrastructure based on common equipment vice Service considerations (for example, Joint Advanced Strike Technology (JAST)-based aircraft). Default to a lead Service in the case of a Joint weapon system.

Key Accomplishment 2: Reduce workforce-related expenses, including costs of goods and services.

Goal 1: Invest in information technology that enables the workforce to perform equal or better service less expensively.

Objective 1: Develop information management systems for centralized planning capabilities.

Objective 2: Substitute teleconferencing for travel.

Objective 3: Establish virtual offices through telecommuting.

Goal 2: Realize savings from workforce cost reduction initiatives.

Objective 1: Reduce consumption of materials and utilities.

Objective 2: Assess the savings from homebasing.

Objective 3: Optimize maintenance required for remaining facilities.

Objective 4: Outsource or “civilian substitute” heartland, stand-alone installations to eliminate the need for QOL support services required by military presence (e.g., galleys, housing, MWR).

Goal 3: Find more cost-effective ways to provide perceived entitlements, benefits, and other QOL services.

Objective 1: Partner with neighboring communities to eliminate duplicate functions inside the fence line.

Objective 2: Privatize, outsource, or civilianize where cost-effective.

Objective 3: Incentivize individuals to obtain entitlements, benefits, and other QOL expectations on their own.

Key Accomplishment 3: Reduce physical plant costs.

Goal 1: Reduce the proliferation of redundant facilities within NCAs.

Objective 1: Consolidate the streamlined workforce into fewer facilities.

Objective 2: Perform regional planning for multipurpose or multicustomer facilities.

Goal 2: Maintain a minimal infrastructure footprint, based on the outyear projection of utilization requirements.

Objective 1: Accelerate demolition of unneeded, aging facilities that cannot be cost-effectively retrofitted for continued service.

Objective 2: Divest the service of excess infrastructure and property.

Objective 3: Outlease not currently needed real property that is judged necessary for mobilization/surge capacity, both to ensure the property is maintained and to generate revenue or services in kind for the installation. Support efforts to modify current outleasing law to maximize flexibility in use of in-kind services.

Goal 3: Establish long-term relationships with the private sector by capitalizing or funding investment programs that are integral to the way we operate our physical plants for the purpose of long-term payback.

Objective 1: Invest in energy conservation programs.

Objective 2: Invest in hazardous materials management programs.

Objective 3: Invest in waste management and recycling programs.

Objective 4: Invest in technology programs that increase efficiency and reduce manning requirements.

Objective 5: Invest in environmental restoration and cleanup programs.

Goal 4: Incorporate life-cycle cost (LCC) analyses for all future acquisitions and facilities.

Objective 1: Develop a means to accurately predict LCC and projected return on investment.

Objective 2: Incorporate an LCC model into all acquisition/procurement or construction/major renovation plans to ensure adequate design, construction, training, operation, maintenance, and final disposition support for the design life of the system.

Objective 3: Develop and implement an optimal maintenance program to enable systems, structures, and equipment to reach their design life.

Objective 4: Develop a culture that allows the return of a minimum of 2.5% of current plant value for maintenance.

APPENDIX B. INTERVIEW INFORMATION PACKAGE

This appendix contains a sample of the information package sent to interviewees prior to scheduled interview.

From: LT Karan A. Schriver, USN

To:

Subj: PERFORMANCE MEASURES INTERVIEW

1. Introduction:

Thank you for agreeing to be interviewed as part of my thesis research at the Naval Postgraduate School. The following information is provided so that you will be familiar with the research objectives prior to the start of the interview.

2. Area or Research:

In any era of declining budgets and increased resource accountability, it has been increasingly important to identify Shore Installation core performance areas and set performance measurement standards. This thesis will examine the process of defining performance measure for shore installation. The goal of this thesis is to recommend the best performance measures model for shore installations that can utilized by regional commanders to improve performance in core areas.

3. Discussion:

In recent years, an understanding has emerged that the federal government needs to run more like a business. As companies are accountable to shareholders, the federal government is accountable to taxpayers. Under the Government Performance and Results act of 1993 (GPRA) every major federal agency must be able to set goals, measure performance, and report on their accomplishments.

The Navy has been working to develop Navy-wide base management and quality standards, in an effort to improve the efficiency and effectiveness of base management. The Department of the Navy's Strategic Plan delineates that Naval bases must provide high-quality services to fleet units worldwide at a level necessary to sustain both personnel morale and combat readiness. To meet Results Act requirements, realize potential fiscal savings and ensure that the requisite levels of service are provided, measurable Navy wide performance standards for key services must be developed.

According to the Navy's Shore Installation Management Directorate, OPNAV N46, the Navy has had difficulty establishing baselines for Shore Installation performance measurement because of a lack of measurement data and business experience. In an

effort to overcome this, OPNAV N46 established a Performance Standards and Measurement System Action Team to review existing Shore Installation Management processes and management tools and to establish and implement a Performance Standards Strategy. OPNAV's Performance Standards Strategy states that it will take advantage of existing industry standards to speed development and benchmarking standards. The strategy also suggests combining expertise from the private and public sector with Navy Installation and functional experts to expedite the process.

Newly regionalized Echelon II staffs were directed to work with Navy and public/private sector functional experts to develop standards and measures for installations.

Installations Managers have been instructed to utilize information tools such as Installation Transfer and Exchange (INSITE), Installation Management and Accounting Project (IMAP), Navy Accounting System STARS-FL as well as Smart Base initiatives such as Multi-technology Automated Reader Card (MARC) to aid in processing information on existing functional data. IMAP includes the Installation Core Business Model, which defines the core businesses of shore installations: Airfield Support, Port Support, Other Mission Support, Community Support (QOL), Facility Management, Public Safety and Command Support.

Although the Core Business Model defines shore installation core businesses, and tools are identified for collecting data, measurement criteria are nonexistent. Guidance has not been identified to Installation Commanders on what they are supposed to measure, what criteria are important and against whom to benchmark. Also, promised management tools such as INSITE have so far been unavailable or underutilized due to lack of training or understanding of their functionality.

4. Scope of Interview:

These semi-structured interviews with SIM staff and students will attempt to identify SIM Strategic goals and performance measures. Further the interview will attempt to ascertain the interviewees level of understanding of basic SIM terms and programs with respect to performance measures implementation.

KARAN A. SCHRIVER

Interview Questions

1. Are you familiar with the Navy's Shore Installation Management Strategic Plan?
If so, what are its main objectives?
2. What should SIM's strategic direction be?
3. What are SIM's strategic goals?
4. What should SIM's strategic goals be?
5. Could you explain the requirements of the Government Performance and Results Act (GPRA)?
6. What are SIM's responsibilities with respect to GPRA?
7. What is your command currently doing to implement strategic and performance plans?
8. What is a performance measure?
9. What SIM areas need to be measured?
10. What are the core businesses for Shore Installations?

11. Are you familiar with IMAP?
12. Are you familiar with INSITE?
13. What training have you received on strategic planning, control systems or performance metrics?
14. What role has N46 played in setting strategic direction and establishing performance measures for shore installations?
15. Will SIM successfully implement performance measures?
16. How important a priority are performance measures at your command?

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